



Financial Statements
June 30, 2020

Merced Union High School District

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Independent Auditor's Report

To the Governing Board
Merced Union High School District
Merced, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Merced Union High School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Merced Union High School District, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12, budgetary comparison information on page 73, schedule of changes in the District's total OPEB liability and related ratios on page 74, schedule of the District's proportionate share of the net OPEB liability – MPP program on page 75, schedule of the District's proportionate share of the net pension liability on page 76, and the schedule of District contributions on page 77, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Merced Union High School District's financial statements. The combining and individual non-major fund financial statements, schedule of expenditures of federal awards as required by the audit requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual non-major fund financial statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial

statements, the schedule of expenditures of federal awards, and the other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated March 31, 2021 on our consideration of Merced Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Merced Union High School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Merced Union High School District's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fresno, California
March 31, 2021



Merced Union High School District

3430 A Street, Atwater, CA 95301 • Mailing: PO Box 2147 Merced, CA 95344
www.muhsd.org • 209.325.2000 • Fax 209.385.6442

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Merced Union High School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2020, with comparative information for the year ended June 30, 2019. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Merced Union High School District (the District) using the integrated approach as prescribed by GASB Statement Number 34.

The Government-Wide Financial Statements present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including capital assets) and deferred outflows, as well as all liabilities (including long-term liabilities) and deferred inflows. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables and receivables.

The Fund Financial Statements include statements for each of the two categories of activities: governmental and fiduciary.

The Governmental Funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The Fiduciary Funds are trust and agency funds. Trust funds focus reporting on net position and changes in net position, and agency funds report only a balance sheet and do not have a measurement focus.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The Primary unit of the government is the Merced Union High School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the Statement of Net Position and the Statement of Activities, we present the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of grade nine through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - All of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS TRUSTEE

Reporting the Merced Union High School District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for funds held on behalf of others, like our funds for associated student body activities, scholarships, and deferred compensation. The District's fiduciary activities are reported in the Statements of Fiduciary Net Position and the Statement of Changes in Fund Net Position. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE DISTRICT AS A WHOLE

Net Position

The District's total net position was \$16.3 million for the fiscal year ended June 30, 2020. Restricted net position, which totaled \$16.9 million, is reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use net position for day-to-day operations. The analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities for the past two fiscal years.

Table 1

	Governmental Activities	
	2020	2019
Assets		
Current and other assets	\$ 91,121,167	\$ 63,197,964
Capital assets	211,924,800	213,195,404
Total assets	303,045,967	276,393,368
Deferred outflows of resources	42,309,377	42,551,760
Liabilities		
Current liabilities	13,928,074	9,124,522
Long-term liabilities	300,519,317	289,762,530
Total liabilities	314,447,391	298,887,052
Deferred inflows of resources	14,594,366	8,485,128
Net Position		
Net investment in capital assets	90,838,178	111,548,803
Restricted	16,902,002	14,456,530
Unrestricted	(91,426,593)	(114,432,385)
Total net position	\$ 16,313,587	\$ 11,572,948

The \$16.3 million in net position of governmental activities represents the accumulated results of all past years' operations. Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - increased by \$23.0 million.

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the Statement of Activities. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the past two years along with the variance between the two fiscal years.

Table 2

	Governmental Activities	
	2020	2019
Revenues		
Program revenues		
Charges for services	\$ 1,042,833	\$ 418,731
Operating grants and contributions	24,428,442	32,209,696
Capital grants and contributions	-	-
General revenues		
Federal and State aid not restricted	108,273,152	105,588,675
Property taxes	28,185,536	26,633,805
Other general revenues	28,893,160	6,715,233
Total revenues	190,823,123	171,566,140
Expenses		
Instruction-related	106,369,411	108,756,292
Pupil services	25,886,251	24,944,240
Administration	8,259,601	8,670,813
Plant services	17,105,520	16,897,609
Other	28,461,701	14,771,684
Total expenses	186,082,484	174,040,638
Change in net position	\$ 4,740,639	\$ (2,474,498)

Governmental Activities

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$182.6 million as compared to \$174.0 million in the prior year. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$28.2 million because the cost was paid by those who benefited from the programs (\$1.0 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$24.4 million). We paid for the remaining "public benefit" portion of our governmental activities with \$133.7 million in Federal and State funds and other revenues, like interest, general entitlements, and charges for services.

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction, pupil services, plant services, administration, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Instruction	\$ 106,369,411	\$ 108,756,292	\$ (89,253,050)	\$ (85,117,015)
Pupil services	25,886,251	24,944,240	(19,494,185)	(17,699,320)
Administration	8,259,601	8,670,813	(7,561,990)	(7,890,379)
Plant services	17,105,520	16,897,609	(16,660,204)	(16,445,659)
All other services	28,461,701	14,771,684	(27,641,780)	(14,259,838)
Total	\$ 186,082,484	\$ 174,040,638	\$ (160,611,209)	\$(141,412,211)

The District's net cost of activities for the current year was \$157.1 million as compared to \$141.4 million in the prior year. A majority of the District's expenses were related to the education and support of its students (72.4 percent).

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds, restricted and unrestricted, reported a combined fund balance of \$77.2 million, while the prior year reported a balance of \$54.1 million, which is an increase of \$23.1 million from last year (Table 4).

Table 4

Governmental Fund	Balances and Activity			
	June 30, 2019	Revenues	Expenditures	June 30, 2020
General	\$ 28,234,276	\$ 153,122,004	\$ 149,191,671	\$ 32,164,609
Adult Education	209,946	2,626,919	2,739,846	97,019
Child Development	119,733	514,455	510,494	123,694
Cafeteria	69,748	5,837,774	5,619,303	288,219
Deferred Maintenance	1,116,215	1,748,456	1,108,761	1,755,910
Building	5,737,674	127,512	2,153,277	3,711,909
Capital Facilities	3,386,736	2,570,401	949,722	5,007,415
County School Facilities	374,104	4,471	-	378,575
Special Reserve Fund for Capital Outlay Projects	5,652,648	21,686,594	2,461,166	24,878,076
Bond Interest and Redemption	9,172,362	56,352,492	56,737,187	8,787,667
Total	\$ 54,073,442	\$ 244,591,078	\$ 221,471,427	\$ 77,193,093

The primary reasons for these changes are:

- a. Our General Fund is our principal operating fund. The fund balance in the General Fund increased from \$28.2 million to \$32.2 million as the District has continued to carry out its fiscal responsibility.
- b. The Special Reserve Fund for Capital Outlay Projects increased by \$19.2 million due primarily to a settlement received.

- c. The District's combined non-major funds showed little change from the prior year. Although the Capital Facilities Fund increased by more than \$1.6 million due to continued developer fees, the Building Fund decreased by more than \$2.0 million due to continued project costs.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 17, 2020. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, the District had \$211.9 million in a broad range of capital assets, including land, buildings, and furniture and equipment, while at June 30, 2019, the net capital assets totaled \$213.2 million. This amount represents a net decrease (including additions, deductions and depreciation) of approximately \$1.3 million.

Table 5

	Governmental Activities	
	2020	2019
Land and construction in progress	\$ 20,423,537	\$ 31,390,269
Buildings and improvements	180,824,415	170,803,536
Equipment	10,676,848	11,001,599
Total	\$ 211,924,800	\$ 213,195,404

See Notes to Financial Statements for additional information on capital assets.

Long-Term Liabilities

At the end of this year, the District had \$148.1 million in long-term liabilities outstanding versus \$138.4 million as restated from last year, an increase of \$9.7 million. The increase was primarily due to the issuance of general obligation bonds.

Table 6

	Governmental Activities	
	2020	2019
Long-Term Liabilities		
General obligation bonds	\$ 142,403,773	\$ 131,538,325
Unamortized premiums/(discounts)	3,452,390	3,771,825
Early retirement liabilities	1,856,804	2,795,356
Compensated absences	435,225	304,916
	\$ 148,148,192	\$ 138,410,422
Total		

The District's general obligation Moody's bond rating as of the most recent bond issuance was "Aa3".

Other Post-Employment Benefits (OPEB) and Pensions

At year-end, the District has other post-employment benefit (OPEB) liabilities of \$18,318,667, versus \$22,860,368 last year, a decrease of \$4,547,701 or 19.9 percent.

At year-end, the District has a net pension liability of \$134,052,438 versus \$128,491,740 last year, an increase of \$5,560,718, or 4.3 percent.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

2020-2021 General Fund Revenue Budget Assumptions

- 0.00 percent Local Control Funding Formula (LCFF) cost of living adjustment (COLA)
- 0.00 percent COLA on state and local share
- LCFF GAP funding is 100 percent
- Projected funded 2020-21 average daily attendance (ADA) is 10,152
- Projected lottery revenue is \$153 per ADA for unrestricted lottery and \$54 per ADA for restricted instructional materials

2020-2021 General Fund Expenditure Budget Assumptions

- 1.5 percent step and column increase
- Transfer Out of \$489,519 to Fund 12 Child Development; \$1,500,000 to Fund 13 for operations; \$90,249 to Fund 13 for increased food services per LCAP plan
- Health Insurance cap of \$12,725 for classified and certificated and management \$10,161

Based upon the 2020-2021 budget the district will be able to meet its financial obligations for 2020-2021, for subsequent fiscal years 2021-2022 and 2022-2023, and maintain a reserve for uncertainties equal to ten percent of total expenditures.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need any additional financial information, contact:

Scott Weimer
Assistant Superintendent/CBO, Business Services
Merced Union High School District
3430 A Street, Castle Airport
Atwater, California 95301

Telephone number: (209) 325-2030

Merced Union High School District
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Deposits and investments	\$ 68,940,318
Receivables	21,975,875
Stores inventories	204,974
Capital assets not depreciated	20,423,537
Capital assets, net of accumulated depreciation	191,501,263
Total assets	303,045,967
Deferred Outflows of Resources	
Deferred charge on refunding	3,550,056
Deferred outflows of resources related to other postemployment benefits (OPEB) liability	798,341
Deferred outflows of resources related to pensions	37,960,980
Total deferred outflows of resources	42,309,377
Liabilities	
Accounts payable	12,876,991
Unearned revenue	1,051,083
Long-term liabilities	
Long-term liabilities other than OPEB and pensions due within one year	5,872,590
Long-term liabilities other than OPEB and pensions due in more than one year	142,275,602
Net other postemployment benefits liabilities	18,318,667
Aggregate net pension liabilities	134,052,458
Total liabilities	314,447,391
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	5,618,204
Deferred inflows of resources related to pensions	8,976,162
Total deferred inflows of resources	14,594,366
Net Position	
Net investment in capital assets	90,838,178
Restricted for	
Debt service	8,787,667
Capital projects	5,385,990
Educational programs	2,575,897
Child nutrition	152,448
Unrestricted	(91,426,593)
Total net position	\$ 16,313,587

Merced Union High School District
Statement of Activities
Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 85,860,607	\$ -	\$ 13,577,166	\$ (72,283,441)
Instruction-related activities				
Supervision of instruction	5,376,743	-	1,753,098	(3,623,645)
Instructional library, media, and technology	1,811,899	-	377,178	(1,434,721)
School site administration	13,320,162	-	1,408,919	(11,911,243)
Pupil services				
Home-to-school transportation	5,007,019	-	714,317	(4,292,702)
Food services	6,156,504	91,040	3,933,954	(2,131,510)
All other pupil services	14,722,728	-	1,652,755	(13,069,973)
Administration				
Data processing	1,875,628	-	-	(1,875,628)
All other administration	6,383,973	14,966	682,645	(5,686,362)
Plant services	17,105,520	264,482	180,834	(16,660,204)
Ancillary services	3,378,011	-	95,153	(3,282,858)
Enterprise services	164,068	-	-	(164,068)
Interest on long-term liabilities	8,234,364	-	-	(8,234,364)
Other outgo	16,685,258	672,345	52,423	(15,960,490)
Total governmental activities	<u>\$ 186,082,484</u>	<u>\$ 1,042,833</u>	<u>\$ 24,428,442</u>	<u>\$ (160,611,209)</u>
General Revenues and Subventions				
Property taxes, levied for general purposes				21,424,439
Property taxes, levied for debt service				6,409,825
Taxes levied for other specific purposes				351,272
Federal and State aid not restricted to specific purposes				108,273,152
Interest and investment earnings				1,004,039
Interagency revenues				84,289
Miscellaneous				<u>27,804,832</u>
Total general revenues and transfers				<u>165,351,848</u>
Change in Net Position				4,740,639
Net Position - Beginning				<u>11,572,948</u>
Net Position - Ending				<u>\$ 16,313,587</u>

Merced Union High School District
Balance Sheet – Governmental Funds
June 30, 2020

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Deposits and investments	\$ 24,187,841	\$ 25,160,107	\$ 19,592,370	\$ 68,940,318
Receivables	21,259,077	-	716,798	21,975,875
Due from other funds	428,781	-	804,509	1,233,290
Stores inventories	70,366	-	134,608	204,974
	<u>45,946,065</u>	<u>25,160,107</u>	<u>21,248,285</u>	<u>92,354,457</u>
Total assets				
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 11,925,864	\$ 281,737	\$ 669,390	\$ 12,876,991
Due to other funds	804,509	294	428,487	1,233,290
Unearned revenue	1,051,083	-	-	1,051,083
	<u>13,781,456</u>	<u>282,031</u>	<u>1,097,877</u>	<u>15,161,364</u>
Total liabilities				
Fund Balances				
Nonspendable	90,366	-	135,771	226,137
Restricted	2,452,203	-	18,161,708	20,613,911
Committed	920,952	-	852,929	1,773,881
Assigned	17,268,246	22,378,076	-	39,646,322
Unassigned	11,432,842	2,500,000	1,000,000	14,932,842
	<u>32,164,609</u>	<u>24,878,076</u>	<u>20,150,408</u>	<u>77,193,093</u>
Total fund balances				
Total liabilities and fund balances				
	<u>\$ 45,946,065</u>	<u>\$ 25,160,107</u>	<u>\$ 21,248,285</u>	<u>\$ 92,354,457</u>

Merced Union High School District
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2020

Total Fund Balance - Governmental Funds		\$ 77,193,093
<p>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
The cost of capital assets is	\$ 324,589,029	
Accumulated depreciation is	<u>(112,664,229)</u>	
Net capital assets		211,924,800
<p>Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to</p>		
Debt refundings	3,550,056	
Other postemployment benefits	798,341	
Net pension liability	<u>37,960,980</u>	
Total deferred outflows of resources to pensions		42,309,377
<p>Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to</p>		
Other postemployment benefits	(5,618,204)	
Net pension liability	<u>(8,976,162)</u>	
Total deferred inflows of resources to pensions		(14,594,366)
<p>Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(134,052,458)
<p>The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(18,318,667)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.</p>		
<p>Long-term liabilities at year-end consist of</p>		
General obligation bonds	(122,941,727)	
Compensated absences (vacations)	(435,225)	
Special termination benefits payable	(1,856,804)	
In addition, capital appreciation general obligation bonds were issued. The accretion of interest to date on the general obligation bonds is	<u>(22,914,436)</u>	
Total long-term liabilities		<u>(148,148,192)</u>
Total net position - governmental activities		<u>\$ 16,313,587</u>

Merced Union High School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2020

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Local Control Funding Formula	\$ 126,499,189	\$ -	\$ 374,034	\$ 126,873,223
Federal sources	8,868,433	-	4,818,999	13,687,432
Other State sources	14,157,326	-	454,424	14,611,750
Other local sources	3,597,056	19,186,594	11,730,579	34,514,229
Total revenues	<u>153,122,004</u>	<u>19,186,594</u>	<u>17,378,036</u>	<u>189,686,634</u>
Expenditures				
Current				
Instruction	76,796,403	-	1,869,208	78,665,611
Instruction-related activities				
Supervision of instruction	5,178,800	-	-	5,178,800
Instructional library, media, and technology	1,679,007	-	-	1,679,007
School site administration	11,923,631	-	869,251	12,792,882
Pupil services				
Home-to-school transportation	5,309,717	-	-	5,309,717
Food services	111,062	-	5,485,487	5,596,549
All other pupil services	13,976,551	-	115,027	14,091,578
Administration				
Data processing	1,797,574	-	-	1,797,574
All other administration	5,859,281	-	315,065	6,174,346
Plant services	13,312,066	27,172	359,903	13,699,141
Ancillary services	3,231,783	-	-	3,231,783
Other outgo	3,366,840	-	-	3,366,840
Enterprise services	164,068	-	-	164,068
Facility acquisition and construction	530,182	2,433,994	4,067,462	7,031,638
Debt service				
Principal	-	-	4,890,000	4,890,000
Interest and other	-	-	3,535,387	3,535,387
Total expenditures	<u>143,236,965</u>	<u>2,461,166</u>	<u>21,506,790</u>	<u>167,204,921</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>9,885,039</u>	<u>16,725,428</u>	<u>(4,128,754)</u>	<u>22,481,713</u>
Other Financing Sources (Uses)				
Transfers in	-	2,500,000	3,454,706	5,954,706
Proceeds from the sale of refunding bonds	-	-	48,949,738	48,949,738
Transfers out	(5,954,706)	-	-	(5,954,706)
Refunding of prior bonds	-	-	(48,311,800)	(48,311,800)

Merced Union High School District
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
Year Ended June 30, 2020

	General Fund	Special Reserve Fund for Capital Outlay Projects	Non-Major Governmental Funds	Total Governmental Funds
Net Financing Sources (Uses)	(5,954,706)	2,500,000	4,092,644	637,938
Net Change in Fund Balances	3,930,333	19,225,428	(36,110)	23,119,651
Fund Balance - Beginning	28,234,276	5,652,648	20,186,518	54,073,442
Fund Balance - Ending	<u>\$ 32,164,609</u>	<u>\$ 24,878,076</u>	<u>\$ 20,150,408</u>	<u>\$ 77,193,093</u>

Merced Union High School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2020

Total Net Change in Fund Balances - Governmental Funds \$ 23,119,651

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	\$ (9,770,660)
Capital outlays	<u>8,500,056</u>

Net expense adjustment	(1,270,604)
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The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was (5,299,092)

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used. 808,243

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. (7,106,789)

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the Statement of Activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year. (871,000)

Proceeds received from Certificates of Participation or Sale of Bonds is a revenue in the governmental funds, but it increases long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities. (48,949,738)

Merced Union High School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2020

Governmental funds report the effect of premiums, discounts, and the deferred amount on a refunding when the debt is first issued, whereas the amounts are deferred and amortized in the Statement of Activities.

Deferred amount on refunding recognized	874,688
Premium amortization	326,471
Discount amortization	(7,036)
Deferred amount on refunding amortization	(267,537)

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

General obligation bonds	<u>43,383,382</u>
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Change in net position of governmental activities	<u>\$ 4,740,639</u>
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Merced Union High School District
Statement of Net Position – Fiduciary Funds
June 30, 2020

	Private-Purpose Trusts Scholarships	Agency	
		Deferred Compensation	Student Body
Assets			
Deposits and investments	\$ 1,532,432	\$ 1,002,211	\$ 1,262,478
Liabilities			
Due to student groups and employees	-	1,002,211	1,262,478
Net Position			
Held in trusts for scholarships	\$ 1,532,432	\$ -	\$ -

Merced Union High School District
Statement of Changes in Net Position – Fiduciary Funds
Year Ended June 30, 2020

	Scholarship Trust
Additions	
Trust income	\$ 664,476
Interest	4,435
Transfer in	692,947
Total additions	1,361,858
Deductions	
Scholarships awarded	674,476
Miscellaneous	13
Transfer out	692,947
Total deductions	1,367,436
Change in Net Position	(5,578)
Net Position - Beginning	1,538,010
Net Position - Ending	\$ 1,532,432

Note 1 - Summary of Significant Accounting Policies**Financial Reporting Entity**

The Merced Union High School District (the District) was established in 1915 and comprises the area of approximately 625 square miles located in Merced County. The District operates under a locally-elected five-member Board form of government and provides educational services to grades 9 - 12 as mandated by the State and/or Federal agencies. The District is currently operating schools in the cities of Atwater, Livingston, and Merced. The City of Merced has four campuses. Merced High School, Golden Valley High School, and El Capitan High School have classes at the ninth through twelfth grade levels. East Campus Educational Center (ECEC) supports five educational programs: Yosemite High School which serves as the District's continuation school; Sequoia High School which serves as the District's community day school, Independence High School which provides independent study opportunities; classes for students from Merced and Golden Valley High School; and the main facility for the Adult School Program is located at ECEC. The City of Atwater has two campuses. Atwater High School and Buhach Colony High School have classes at the ninth through twelfth grade levels. The City of Livingston has one campus. Livingston High School has classes at the ninth through twelfth grade levels.

A reporting entity is comprised of the primary government and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Merced Union High School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Three funds currently defined as special revenue funds in the California State Accounting Manual (CSAM) do not meet the GASB Statement No. 54 special revenue fund definition. Specifically, Fund 15, Pupil Transportation Equipment Fund, Fund 17, Special Reserve Fund for Other than Capital Outlay Projects, and Fund 20, Special Reserve Fund for Postemployment Benefits, are not substantially composed of restricted or committed revenue sources. While these funds are authorized by statute and will remain open for internal reporting purposes, these funds function effectively as extensions of the General Fund, and accordingly have been combined with the General Fund for presentation in these audited financial statements. As a result, the General Fund reflects an increase/decrease in fund balance of \$14,478,975.

Special Reserve Fund for Capital Outlay Projects The Special Reserve Fund for Capital Outlay Projects exists primarily to provide for the accumulation of General Fund monies for capital outlay purposes (Education Code Section 42840).

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

- **Adult Education Fund** The Adult Education Fund is used to account separately for Federal, State, and local revenues for restricted or committed for adult education programs and is to be expended for adult education purposes only.
- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (Education Code Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).
- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (Education Code Section 17582).

Capital Project Funds The Capital Project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

- **Building Fund** The Building Fund exists primarily to account separately for proceeds from the sale of bonds (Education Code Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (Education Code Sections 17620-17626 and Government Code Section 65995 et seq.). Expenditures are restricted to the purposes specified in Government Code Sections 65970-65981 or to the items specified in agreements with the developer (Government Code Section 66006).
- **County School Facilities Fund** The County School Facilities Fund is established pursuant to Education Code Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition IA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51), authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (Education Code Section 17070 et seq.).

Debt Service Funds The Debt Service funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term liabilities.

- **Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (Education Code Sections 15125-15262).

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the district's own programs. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust funds are scholarship accounts. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency fund accounts for student body (ASB) and deferred compensation accounts.

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, of the District and for each governmental function, and exclude fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

- **Governmental Funds** All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.
- **Fiduciary Funds** Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred. Principal and interest on long-term liabilities, which has not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000 for equipment and \$15,000 for land, buildings and land improvements. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide statement of net position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column of the statement of net position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide statement of net position as long-term liabilities.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accounts Payable and Long-Term Liabilities

Accounts payable and long-term liabilities are reported in the government-wide financial statements. In general, governmental fund accounts payable that are paid in a timely manner and in full from current financial resources are reported as liabilities of the funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

Premiums and Discounts

In the government-wide financial statements, long-term liabilities are reported as liabilities in the applicable governmental activities statement of net position. Debt premiums and discounts are amortized over the life of the debt using the straight-line method, which approximates the effective interest method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs,

whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension and OPEB related items.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers' Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid by the fund in which the employee worked.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the CalSTRS Medicare Premium Payment (MPP) Program and additions to/deductions from the MPP's fiduciary net position have been determined on the same basis as they are reported by the MPP. For this purpose, the MPP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost. The net OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Fund Balances - Governmental Funds

As of June 30, 2020, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$16,902,002 of restricted net position.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities column of the Statement of Activities.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Merced bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The effective dates of certain provisions contained in the following pronouncements are postponed by one year:

- Statement No. 83, Certain Asset Retirement Obligations
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019

- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

The provisions of this Statement have been implemented as of June 30, 2020.

New Accounting Pronouncements

In January 2017, the GASB issued Statement No. 84, Fiduciary Activities. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all State and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2017, the GASB issued Statement No. 87, Leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after June 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2018, the GASB issued Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the

requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In August 2018, the GASB issued Statement 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 60. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The effects of this change on the District's financial statements have not yet been determined.

In May 2019, the GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

All conduit debt obligations involve the issuer making a limited commitment. Some issuers extend additional commitments or voluntary commitments to support debt service in the event the third party is, or will be, unable to do so.

An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. As long as a conduit debt obligation is outstanding, an issuer that has made an additional commitment should evaluate at least annually whether those criteria are met. An issuer that has made only a limited commitment should evaluate whether those criteria are met when an event occurs that causes the issuer to reevaluate its willingness or ability to support the obligor's debt service through a voluntary commitment.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

Issuers should not report those arrangements as leases, nor should they recognize a liability for the related conduit debt obligations or a receivable for the payments related to those arrangements. In addition, the following provisions apply:

- If the title passes to the third-party obligor at the end of the arrangement, an issuer should not recognize a capital asset.
- If the title does not pass to the third-party obligor and the third party has exclusive use of the entire capital asset during the arrangement, the issuer should not recognize a capital asset until the arrangement ends.
- If the title does not pass to the third-party obligor and the third party has exclusive use of only portions of the capital asset during the arrangement, the issuer, at the inception of the arrangement, should recognize the entire capital asset and a deferred inflow of resources. The deferred inflow of resources should be reduced, and an inflow recognized, in a systematic and rational manner over the term of the arrangement.

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective for the reporting periods beginning after December 15, 2021. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In January 2020, the GASB issued Statement No. 92, Omnibus 2020. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, Leases, and Implementation Guide No. 2019-3, Leases, for interim financial reporting
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan
- The applicability of Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statement 67 and 68, as amended, and No.74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, to reporting assets accumulated for postemployment benefits
- The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

As a result of the implementation of GASB Statement No. 95, the requirements of this Statement are effective as follows:

- The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance.
- The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2021.
- The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2021.
- The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2021.

Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 93, Replacement of Interbank Offered Rates. The objective of this Statement is to address those and other accounting and financial reporting implications that result from the replacement of an IBOR (Interbank Offered Rate). This Statement achieves that objective by:

- Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment
- Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53, as amended
- Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

As a result of the implementation of GASB Statement No. 95, the removal of LIBOR as an appropriate benchmark interest rate (paragraph 11b) is effective for reporting periods ending after December 31, 2021. Paragraph 13 and 14 related to lease modifications is effective for reporting periods beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020. Early implementation is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In May 2020, the GASB issued Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged. The effects of this change on the District's financial statements have not yet been determined.

In June 2020, the GASB issued Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment

benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement.

The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The effects of this change on the District's financial statements have not yet been determined.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2020, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 68,940,318
Fiduciary funds	<u>3,797,121</u>
Total deposits and investments	<u><u>\$ 72,737,439</u></u>

Deposits and investments as of June 30, 2020, consist of the following:

Cash on hand and in banks	\$ 1,210,862
Cash in revolving	21,163
Investments	<u>71,505,414</u>
Total deposits and investments	<u><u>\$ 72,737,439</u></u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk and credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool which purchases a combination of shorter term and longer term investments and which also times cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Segmented Time Distribution

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following schedule that shows the distribution of the District's investments by maturity:

Investment Type	Reported Amount	12 Months or Less	13 - 24 Months	25 - 60 Months	More Than 60 Months
Mutual Funds	1,860,651	1,860,651	-	-	-
Certificates of Deposit	726,008	726,008	-	-	-
County Pool	68,918,755	-	68,918,755	-	-
Total	\$ 71,505,414	\$ 2,586,659	\$ 68,918,755	\$ -	\$ -

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2020, \$760,547 of the District's bank balances were exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Of the investment in Mutual Funds and Certificates of Deposit of \$2,586,659, the District has a custodial credit risk exposure of \$2,086,659, because the related securities are uninsured, unregistered and held by the brokerage firm which is also the counterparty for these securities. The District does not have a policy limiting the amount of securities that can be held by counterparties.

Note 3 - Receivables

Receivables at June 30, 2020, consist of intergovernmental grants, entitlements, and local sources. All receivables are considered collectible in full.

	General Fund	Non-Major Governmental Funds	Total
Federal Government			
Categorical aid	\$ 1,909,860	\$ 446,932	\$ 2,356,792
State Government			
LCFF apportionment	17,104,804	-	17,104,804
Other State	1,972,252	211,039	2,183,291
Local Sources	272,161	58,827	330,988
Total	\$ 21,259,077	\$ 716,798	\$ 21,975,875

Note 4 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2020, is as follows:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 13,296,486	\$ -	\$ -	\$ 13,296,486
Construction in progress	18,093,783	2,755,391	(13,722,123)	7,127,051
Total capital assets not being depreciated	31,390,269	2,755,391	(13,722,123)	20,423,537
Capital assets being depreciated				
Land improvements	23,854,779	3,668,116	-	27,522,895
Buildings and improvements	234,688,057	14,118,858	-	248,806,915
Furniture and equipment	26,165,720	1,679,814	(9,852)	27,835,682
Total capital assets being depreciated	284,708,556	19,466,788	(9,852)	304,165,492
Total capital assets	316,098,825	22,222,179	(13,731,975)	324,589,029
Accumulated depreciation				
Land improvements	(15,251,824)	(790,513)	-	(16,042,337)
Buildings and improvements	(72,487,476)	(6,975,582)	-	(79,463,058)
Furniture and equipment	(15,164,121)	(2,004,565)	9,852	(17,158,834)
Total accumulated depreciation	(102,903,421)	(9,770,660)	9,852	(112,664,229)
Governmental activities capital assets, net	\$ 213,195,404	\$ 12,451,519	\$ (13,722,123)	\$ 211,924,800

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Instruction	\$ 5,169,102
Instructional library, media, and technology	68,595
School site administration	51,478
Home-to-school transportation	591,714
Food services	460,787
All other pupil services	8,169
Data processing	38,816
All other administration	90,424
Plant services	<u>3,291,575</u>
Total depreciation expenses governmental activities	<u><u>\$ 9,770,660</u></u>

Note 5 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2020, are as follows:

Funds	Due from Other Funds	Due to Other Funds
Major Governmental Funds		
General	\$ 428,781	\$ 804,509
Special Reserve Fund for Capital Outlay Projects	<u>-</u>	<u>294</u>
Non-Major Governmental Funds		
Adult Education	18,826	162,880
Child Development	4,207	25,163
Cafeteria	56,170	240,444
Deferred Maintenance	<u>725,306</u>	<u>-</u>
Subtotal Non-Major Governmental Funds	<u>804,509</u>	<u>428,487</u>
Total	<u><u>\$ 1,233,290</u></u>	<u><u>\$ 1,233,290</u></u>

Merced Union High School District

Notes to Financial Statements

June 30, 2020

The General Fund owes the Adult Education Non-Major Governmental Fund for students under eighteen participation from January 1, 2020 - June 26, 2020.	\$ 9,415
The General Fund owes the Adult Education Non-Major Governmental Fund for the Summer Assistance Program.	9,411
The General Fund owes the Child Development Non-Major Governmental Fund for the Summer Assistance Program.	4,207
The General Fund owes the Cafeteria Non-Major Governmental Fund for the Summer Assistance Program.	56,170
The General Fund owes the Deferred Maintenance Non-Major Governmental Fund for a LCFF revenue limit transfer.	374,034
The General Fund owes the Deferred Maintenance Non-Major Governmental Fund for a transfer for RDA.	351,272
The Special Reserve Fund for Capital Outlay Projects owes the General Fund for miscellaneous costs.	294
The Adult Education Non-Major Governmental Fund owes the General Fund for indirect costs to other Funds.	49,634
The Adult Education Non-Major Governmental Fund owes the General Fund for an allocation of retiree liabilities.	5,690
The Adult Education Non-Major Governmental Fund owes the General Fund for indirect costs.	22,556
The Adult Education Non-Major Governmental Fund owes the General Fund to pay back a temporary cash loan.	85,000
The Child Development Non-Major Governmental Fund owes the General Fund for allocation of retiree liabilities.	1,025
The Child Development Non-Major Governmental Fund owes the General Fund for indirect costs.	24,138
The Cafeteria Non-Major Governmental Fund owes the General Fund for an allocation of retiree liabilities.	6,952
The Cafeteria Non-Major Governmental Fund owes the General Fund for indirect costs.	168,492
The Cafeteria Non-Major Governmental Fund owes the General Fund to pay back a temporary cash loan.	<u>65,000</u>
Total	<u><u>\$ 1,233,290</u></u>

Operating Transfers

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2020, consist of the following:

The General Fund transferred to the Child Development Non-Major Governmental Fund to make a contribution.	\$ 489,519
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for an LCAP contribution.	1,325,000
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for an LCAP contribution.	88,915
The General Fund transferred to the Cafeteria Non-Major Governmental Fund for annual equipment replacement.	200,000
The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for Redevelopment Agency Dissolution.	351,272
The General Fund transferred to the Deferred Maintenance Non-Major Governmental Fund for future maintenance needs.	1,000,000
The General Fund transferred to the Special Reserve Fund for Capital Outlay Projects Fund for future capital outlays.	<u>2,500,000</u>
Total	<u>\$ 5,954,706</u>

Note 6 - Accounts Payable

Accounts payable at June 30, 2020, consist of the following:

	<u>General Fund</u>	<u>Special Reserve Fund for Capital Outlay Projects</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
Vendor payables	\$ 4,533,902	\$ 281,737	\$ 669,390	\$ 5,485,029
State LCFF apportionment	5,090,107	-	-	5,090,107
Salaries and benefits	188,927	-	-	188,927
Deferred payroll	<u>2,112,928</u>	<u>-</u>	<u>-</u>	<u>2,112,928</u>
Total	<u>\$ 11,925,864</u>	<u>\$ 281,737</u>	<u>\$ 669,390</u>	<u>\$ 12,876,991</u>

Note 7 - Unearned Revenue

Unearned revenue at June 30, 2020, consists of the following:

	General Fund
Federal financial assistance	\$ 1,028,084
State categorical aid	22,999
Total	\$ 1,051,083

Note 8 - Long-Term Liabilities Other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$ 131,538,325	\$ 54,248,830	\$ (43,383,382)	\$ 142,403,773	\$ 5,260,000
Unamortized debt premiums	3,996,981	-	(326,471)	3,670,510	-
Unamortized debt discounts	(225,156)	-	7,036	(218,120)	-
Public Agency Retirement System	2,795,356	-	(938,552)	1,856,804	612,590
Compensated absences	304,916	130,309	-	435,225	-
Total	\$ 138,410,422	\$ 54,379,139	\$ (44,641,369)	\$ 148,148,192	\$ 5,872,590

The General Obligation Bonds are paid through the Bond Interest and Redemption Fund with proceeds from the assessment on property owners in the applicable boundaries. The Public Agency Retirement System obligations are paid for by the General Fund. The compensated absences liability is paid by the fund that the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2019	Issued	Interest Accreted	Redeemed	Bonds Outstanding June 30, 2020
Capital Appreciation Bonds								
8/1/99	8/1/24	5.4-5.75	\$ 9,221,061	\$ 4,075,206	\$ -	\$ -	\$ (740,294)	\$ 3,334,912
Accumulated accreted interest				8,535,392	-	600,705	(1,544,706)	7,591,391
4/17/09	8/1/34	5.4-5.75	1,439,944	1,489,944	-	-	-	1,489,944
Accumulated accreted interest				1,915,156	-	307,952	-	2,223,108
2/16/11	8/1/27	7.05-7.15	462,545	462,565	-	-	-	462,565
Accumulated accreted interest				742,139	-	144,666	-	886,805
11/9/11	8/1/37	3.80-6.72	30,489,821	13,979,485	-	-	(58,650)	13,920,835
Accumulated accreted interest				8,784,957	-	2,054,098	(21,350)	10,817,705
5/27/15	8/1/51	3.80-7.42	29,749,417	29,749,417	-	-	(29,749,417)	-
Accumulated accreted interest				7,089,958	-	1,654,007	(8,743,965)	-
9/24/15	8/1/40	1.63-4.84	4,799,586	4,770,926	-	-	(50,980)	4,719,946
Accumulated accreted interest				857,892	-	254,225	(4,020)	1,108,097
1/29/19	8/1/44	4.01-4.22	186,397	186,397	-	-	-	186,397
Accumulated accreted interest				3,891	-	8,008	-	11,899
6/4/20	8/1/51	3.52-3.92	48,949,738	-	48,949,738	-	-	48,949,738
Accumulated accreted interest				-	-	275,431	-	275,431
Current Interest Bonds								
4/17/09	8/1/19	2.0-5.0	23,560,000	800,000	-	-	(800,000)	-
2/16/11	8/1/25	5.379-6.716	25,000,000	13,540,000	-	-	(1,670,000)	11,870,000
9/24/15	8/1/45	2.00-5.00	13,000,000	12,945,000	-	-	-	12,945,000
12/6/17	8/1/29	5.0	16,380,000	16,005,000	-	-	-	16,005,000
1/29/19	8/1/45	1.52-5.00	5,605,000	5,605,000	-	-	-	5,605,000
Total				\$ 131,538,325	\$ 48,949,738	\$ 5,299,092	\$ (43,383,382)	\$ 142,403,773

The Merced Union High School District 1999 General Obligation Bonds, Series A, in the aggregate principal amount of \$24,631,061, were issued by the Board of Supervisors of the County of Merced on behalf of the Merced Union High School District. The Series A Bonds represent a general obligation of the District, payable solely from ad valorem property taxes levied and collected by the County of Merced. Interest with respect to the Current Interest Series A Bonds accrues from August 1, 1999, and is payable semiannually commencing February 1, 2000. The Capital Appreciation Series A Bonds are dated the date of delivery of the Series A Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2000.

The Merced Union High School District 2008 General Obligation Bonds, Series A, in the aggregate principal amount of \$24,999,994, were issued by the Board of Supervisors of the County of Merced on behalf of the Merced Union High School District. The Series A Bonds represent a general obligation of the District, payable solely from ad valorem property taxes levied and collected by the County of Merced. Interest with respect to the Current Interest Series A Bonds accrues from August 1, 2009, and is payable semiannually commencing February 1, 2010. The Capital Appreciation Series A Bonds are dated the date of delivery of the Series A Bonds and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2009 with the exception of the Capital Accretion Bonds which mature May 1, 2034 which compound semiannually on May 1 and November 1 of each year, commencing November 1, 2009.

The Merced Union High School District Election of 2008 General Obligation Bonds, Series B (Tax-Exempt) in the aggregate principal amount of \$462,565 (the "Series B Bonds") and the Merced Union High School District Election of 2008 General Obligation Bonds, Series B-1 (Qualified School Construction Bonds - Direct Payment to District) (Federally Taxable) in the aggregate principal amount of \$25,000,000 (the "Series B-1 Bonds," together with the Series B Bonds, the "Bonds," were authorized at an election of the registered voters of the District held on November 4, 2008, at which the requisite 55 percent or more of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed \$149,450,000 principal amount of general obligation bonds. Interest with respect to the Current Interest Bonds accrues from the date of initial delivery thereof and is payable semiannually of February 1 and August 1 of each year, commencing August 1, 2011. The Current Interest Bonds are issuable as fully registered Bonds in denomination of \$5,000 principal amount or any integral multiple thereof. The Capital Appreciation Bonds are dated the date of initial delivery thereof and accrete interest from such date, compounded semiannually on February 1 and August 1 of each year, commencing on August 1, 2011. The Capital Appreciation Bonds are issuable in denominations of \$5,000 Maturity Value or any integral multiple thereof, except for one odd denomination if necessary.

The Merced Union High School District Election of 2008 General Obligation Bonds, Series C in the aggregate principal amount of \$30,489,821 (the "Bonds") were authorized at an election of the registered voters of the Merced Union High School District (the "District") held on November 4, 2008, at which the requisite 55 percent or more of the persons voting on the proposition voted to authorize the issuance and sale of not-to-exceed \$149,450,000 principal amount of general obligation bonds. The Bonds will be dated as of the date of their initial delivery (the "Date of Delivery"). The Bonds will be issued as capital appreciation bonds, such that the Bonds will not bear interest on a current basis, but will instead accrete interest from the Date of Delivery, compounded semiannually on February 1 and August 1 of each year, commencing on February 1, 2012. The Bonds are issuable in denominations of \$5,000 Maturity Value or any integral multiple thereof. A bond discount in the amount of \$274,408 will be capitalized and amortized over the life of the bonds.

The Merced Union High School District 2015 General Obligation Refunding Bonds were issued to advance refund a portion of the outstanding Election of 2008 General Obligation Bonds, Series C and pay the costs of issuance of the Bonds. The Bonds were issued as capital appreciation bonds. The Bonds accrete interest from their Date of Delivery, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2015. The Bonds are issuable in denominations of \$5,000 Maturity Value, or any integral multiple thereof. The 2015 General Obligation Refunding Bonds were refunded during the year with proceeds from the issuance of the District's General Obligation Refunding Bonds, Series 2020.

On September 24, 2015, the District issued Election of 2008, Series D General Obligation Bonds, in the amount of \$17,799,586 to finance the repair, upgrading, acquisition, construction and equipping of certain District property and facilities, and to pay the costs of issuing the Bonds. The Bonds, were issued as current interest and capital appreciation bonds. Interest on the current interest bonds is payable on each February 1 and August 1 to maturity, commencing February 1, 2016. The capital appreciation bonds accrete interest from their date of delivery, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2016. The bonds were issued at a premium in the amount of \$345,997 which will be amortized over the life of the bonds.

The Merced Union High School District 2017 General Obligation Refunding Bonds were issued to advance refund a portion of the outstanding Election of 2008 General Obligation Bonds, Series A and pay the costs of issuance of the Bonds. The Bonds were issued as current interest bonds. The Bonds accrete interest from their Date of Delivery, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2018. The Bonds are issuable in denominations of \$5,000 Maturity Value, or any integral multiple thereof.

On January 9, 2019, the District issued Election of 2008, Series E General Obligation Bonds, in the amount of \$5,791,397 to finance the repair, upgrading, acquisition, construction and equipping of District sites and facilities and to pay the costs of issuing the Bonds. The Bonds were issued as current interest and capital appreciation bonds. Interest on the current interest bonds is payable on each February 1 and August 1 to maturity, commencing August 1, 2019. The capital appreciation bonds accrete interest from their date of delivery, compounded semiannually on February 1 and August 1 of each year, commencing February 1, 2019. The bonds were issued at a premium in the amount of \$405,763 which will be amortized over the life of the bonds.

The Merced Union High School District General Obligation Refunding Bonds, Series 2020 were issued to refund all of the outstanding 2015 General Obligation Refunding Bonds and pay the costs of issuance of the Bonds. The Bonds were issued as capital appreciation bonds. The Bonds accrete interest from their Date of Delivery, compounded semiannually on February 1 and August 1 of each year, commencing August 1, 2020. The Bonds are issuable in denominations of \$5,000 Maturity Value, or any integral multiple thereof.

Debt Service Requirements to Maturity

The capital appreciation bonds mature as follows:

Bonds Maturing Fiscal Year	Initial Bond Value	Accreted Interest	Accreted Obligation	Unaccreted Interest	Maturity Value
2021	\$ 840,610	\$ 1,659,390	\$ 2,500,000	\$ -	\$ 2,500,000
2022	826,973	1,609,515	2,436,488	138,512	2,575,000
2023	815,881	1,561,655	2,377,536	277,464	2,655,000
2024	803,620	1,514,142	2,317,762	417,238	2,735,000
2025	790,223	1,466,934	2,257,157	557,843	2,815,000
2026-2030	3,967,118	3,076,362	7,043,480	4,511,520	11,555,000
2031-2035	8,283,444	7,216,286	15,499,730	20,110,270	35,610,000
2036-2040	13,902,809	4,373,768	18,276,577	25,843,423	44,120,000
2041-2045	18,222,446	298,139	18,520,585	23,802,708	42,323,293
2046-2050	17,482,925	98,315	17,581,240	32,355,837	49,937,077
2051-2052	7,128,288	39,930	7,168,218	16,288,011	23,456,229
Total	<u>\$ 73,064,337</u>	<u>\$ 22,914,436</u>	<u>\$ 95,978,773</u>	<u>\$ 124,302,826</u>	<u>\$ 220,281,599</u>

Merced Union High School District

Notes to Financial Statements

June 30, 2020

The current interest bonds mature as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2021	\$ 2,760,000	\$ 2,343,152	\$ 5,103,152
2022	2,920,000	2,195,493	5,115,493
2023	3,155,000	2,032,568	5,187,568
2024	3,445,000	1,844,762	5,289,762
2025	3,765,000	1,638,899	5,403,899
2026-2030	14,180,000	5,423,761	19,603,761
2031-2035	45,000	3,383,819	3,428,819
2036-2040	70,000	3,369,439	3,439,439
2041-2045	12,215,000	2,353,200	14,568,200
2047	3,870,000	77,400	3,947,400
 Total	 <u>\$ 46,425,000</u>	 <u>\$ 24,662,493</u>	 <u>\$ 71,087,493</u>

Early Retirement

The District has obligations to the Public Agency Retirement System totaling \$1,856,804 for early retirement incentives granted to terminated employees. Payments will be made as follows:

<u>Year Ending June 30,</u>	<u>PARS Payment</u>
2021	\$ 612,590
2022	612,590
2023	315,812
2024	315,812
 Total	 <u>\$ 1,856,804</u>

Compensated Absences

Compensated absences (unpaid employee vacation) for the District at June 30, 2020, amounted to \$435,225.

Note 9 - Net Other Postemployment Benefit (OPEB) Liability

For the fiscal year ended June 30, 2020, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	\$ 17,641,895	\$ 798,341	\$ 5,618,204	\$ 1,677,785
Medicare Premium Payment (MPP) Program	<u>676,772</u>	<u>-</u>	<u>-</u>	<u>(8,444)</u>
Total	<u>\$ 18,318,667</u>	<u>\$ 798,341</u>	<u>\$ 5,618,204</u>	<u>\$ 1,669,341</u>

The details of each plan are as follows:

District Plan

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Plan Membership

At June 30, 2019, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	72
Active employees	<u>958</u>
Total	<u>1,030</u>

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, the Merced Union High School District Teachers Association (MUHSDTA), the local California Service Employees Association (CSEA), and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District,

MUHSDTA, CSEA, and the unrepresented groups. For the measurement period of June 30, 2019, the District paid \$1,104,339 in benefits.

Total OPEB Liability of the District

The District’s total OPEB liability of \$17,641,895 was measured as of June 30, 2019 by an actuarial valuation of the same date.

Actuarial Assumptions

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75 percent
Salary increases	2.75 percent, average, including inflation
Discount rate	3.50 percent
Healthcare cost trend rates	4.00 percent for 2019

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex. (Unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used.) If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance, June 30, 2018	\$ 22,175,152
Service cost	1,241,793
Interest	849,355
Differences between expected and actual experience	(6,081,620)
Changes of assumptions or other inputs	346,441
Benefit payments	(1,104,339)
Expected minus actual benefit payments	<u>215,113</u>
Net change in total OPEB liability	<u>(4,533,257)</u>
Balance, June 30, 2019	<u>\$ 17,641,895</u>

Changes in Benefit Terms - There were no changes in the benefit terms since the previous valuation.

Changes in Assumptions - The plan discount rate assumption was changed from 3.80 percent to 3.50 percent since the previous valuation.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (2.5%)	\$ 18,824,494
Current discount rate (3.5%)	17,641,895
1% increase (4.5%)	16,519,144

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

<u>Healthcare Cost Trend Rates</u>	<u>Total OPEB Liability</u>
1% decrease (3%)	\$ 16,758,536
Current healthcare cost trend rate (4%)	17,641,895
1% increase (5%)	18,337,452

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources related to OPEB

At June 30, 2020, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
OPEB contributions subsequent to measurement date	\$ 798,341	\$ -
Differences between expected and actual experience	-	5,464,691
Changes of assumptions	-	153,513
Total	<u>\$ 798,341</u>	<u>\$ 5,618,204</u>

The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent fiscal year.

The deferred inflows of resources related to differences between expected and actual experience in the measurement of the total OPEB liability and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period.

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2020	\$ (413,363)
2021	(413,363)
2022	(413,363)
2023	(413,363)
2024	(713,208)
Thereafter	(3,251,544)
	<hr/>
Total	\$ (5,618,204)

Medicare Premium Payment (MPP) Program

Plan Description

The Medicare Premium Payment (MPP) Program is administered by the California State Teachers' Retirement System (CalSTRS). The MPP Program is a cost-sharing multiple-employer other postemployment benefit plan (OPEB) established pursuant to Chapter 1032, Statutes 2000 (SB 1435). CalSTRS administers the MPP Program through the Teachers' Health Benefits Fund (THBF).

A full description of the MPP Program regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Medicare Premium Payment Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The MPP Program pays Medicare Part A premiums and Medicare Parts A and B late enrollment surcharges for eligible members of the State Teachers Retirement Plan (STRP) Defined Benefit (DB) Program who were retired or began receiving a disability allowance prior to July 1, 2012 and were not eligible for premium free Medicare Part A. The payments are made directly to the Centers for Medicare and Medicaid Services (CMS) on a monthly basis.

The MPP Program is closed to new entrants as members who retire after July 1, 2012, are not eligible for coverage under the MPP Program.

The MPP Program is funded on a pay-as-you go basis from a portion of monthly District benefit payments. In accordance with California *Education Code* Section 25930, contributions that would otherwise be credited to the DB Program each month are instead credited to the MPP Program to fund monthly program and administrative costs. Total redirections to the MPP Program are monitored to ensure that total incurred costs do not exceed the amount initially identified as the cost of the program.

Net OPEB Liability and OPEB Expense

At June 30, 2020, the District reported a liability of \$676,772 for its proportionate share of the net OPEB liability for the MPP Program. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The District’s proportion of the net OPEB liability was based on a projection of the District’s long-term share of contributions to the OPEB Plan relative to the projected contributions of all participating school districts, actuarially determined. The District’s proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively, was 0.1817 percent and 0.1790 percent, resulting in a net increase in the proportionate share of 0.0027 percent.

For the year ended June 30, 2020, the District recognized OPEB expense of \$(8,444).

Actuarial Methods and Assumptions

The June 30, 2019 total OPEB liability was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total OPEB liability to June 30, 2019, using the assumptions listed in the following table:

Measurement Date	June 30, 2019	June 30, 2018
Valuation Date	June 30, 2019	June 30, 2017
Experience Study	July 1, 2010 through June 30, 2015	July 1, 2010 through June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Discount Rate	3.50%	3.87%
Health Care Cost Trend	4.00%	4.00%

For the valuation as of June 30, 2018, CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP 2016) table, issued by the Society of Actuaries.

Assumptions were made about future participation (enrollment) into the MPP Program because CalSTRS is unable to determine which members not currently participating meet all eligibility criteria for enrollment in the future. Assumed enrollment rates were derived based on past experience and are stratified by age with the probability of enrollment diminishing as the members’ age increases. This estimated enrollment rate was then applied to the population of members who may meet criteria necessary for eligibility and are not currently

enrolled in the MPP Program. Based on this, the estimated number of future enrollments used in the financial reporting valuation was 380 or an average of 0.23 percent of the potentially eligible population (165,422).

The MPP Program is funded on a pay-as-you-go basis with contributions generally being made at the same time and in the same amount as benefit payments and expenses coming due. Any funds within the MPP Program as of June 30, 2019, were to manage differences between estimated and actual amounts to be paid and were invested in the Surplus Money Investment Fund, which is a pooled investment program administered by the State Treasurer.

Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2019, is 3.50 percent. As the MPP Program is funded on a pay-as-you-go basis as previously noted, the OPEB Plan’s fiduciary net position was not projected to be sufficient to make projected future benefit payments. Therefore, a discount rate of 3.50 percent, which is the Bond Buyer 20-Bond GO Index from Bondbuyer.com as of June 30, 2019, was applied to all periods of projected benefit payments to measure the total OPEB liability. The discount rate decreased 0.37 percent from 3.87 percent as of June 30, 2018.

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net OPEB Liability
1% decrease (2.50%)	\$ 738,513
Current discount rate (3.50%)	676,772
1% increase (4.50%)	620,005

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Medicare Costs Trend Rates

The following presents the District’s proportionate share of the net OPEB liability calculated using the Medicare costs trend rates, as well as what the net OPEB liability would be if it were calculated using Medicare costs trend rates that are one percent lower or higher than the current rates:

Medicare Costs Trend Rate	Net OPEB Liability
1% decrease (2.7% Part A and 3.1% Part B)	\$ 634,338
Current Medicare costs trend rate (3.7% Part A and 4.1% Part B)	676,772
1% increase (4.7% Part A and 5.1% Part B)	761,534

Note 10 - Fund Balances

Fund balances are composed of the following elements:

	General Fund	Special Reserve Capital Outlay Fund	Non-Major Governmental Funds	Total
Nonspendable				
Revolving cash	\$ 20,000	\$ -	\$ 1,163	\$ 21,163
Stores inventories	70,366	-	134,608	204,974
Total nonspendable	<u>90,366</u>	<u>-</u>	<u>135,771</u>	<u>226,137</u>
Restricted				
Legally restricted programs	2,452,203	-	123,694	2,575,897
Food service	-	-	152,448	152,448
Capital projects	-	-	9,097,899	9,097,899
Debt services	-	-	8,787,667	8,787,667
Total restricted	<u>2,452,203</u>	<u>-</u>	<u>18,161,708</u>	<u>20,613,911</u>
Committed				
Adult education program	-	-	97,019	97,019
Deferred maintenance program	-	-	755,910	755,910
Pupil Transportation	920,952	-	-	920,952
Total committed	<u>920,952</u>	<u>-</u>	<u>852,929</u>	<u>1,773,881</u>
Assigned				
Special projects	11,589,136	-	-	11,589,136
CTE planning	697,663	-	-	697,663
Retiree self-pay	958,888	-	-	958,888
Lottery	327,892	-	-	327,892
Projects from one time State funding	3,324,095	-	-	3,324,095
Supplemental and Concentration	370,572	-	-	370,572
Capital Projects	-	22,378,076	-	22,378,076
Total assigned	<u>17,268,246</u>	<u>22,378,076</u>	<u>-</u>	<u>39,646,322</u>
Unassigned				
Reserve for economic uncertainties	14,932,842	-	-	14,932,842
Total	<u>\$ 32,164,609</u>	<u>\$ 24,878,076</u>	<u>\$ 20,150,408</u>	<u>\$ 77,193,093</u>

Note 11 - Risk Management**Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2020, the District contracted with Self Insured Schools of California for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2020, the District participated in the Merced County Schools Insurance Group, an insurance purchasing pool. The intent of the Merced County Schools Insurance Group is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Merced County Schools Insurance Group. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Merced County Schools Insurance Group. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Merced County Schools Insurance Group. Participation in the Merced County Schools Insurance Group is limited to districts that can meet the Merced County Schools Insurance Group selection criteria.

Employee Medical Benefits

The District has contracted with the Self Insured Schools of California Health and Welfare Program to provide employee health benefits. Self Insured Schools of California Health and Welfare Program is a shared risk pool comprised of agencies within California. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

Note 12 - Employee Retirement Systems

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2020, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
CalSTRS	\$ 92,783,354	\$ 28,221,646	\$ 8,302,743	\$ 12,154,577
CalPERS	41,269,104	9,739,334	673,419	7,322,512
Total	\$ 134,052,458	\$ 37,960,980	\$ 8,976,162	\$ 19,477,089

The details of each plan are as follows:

California State Teachers’ Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers’ Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers’ Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members’ final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2020, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	17.10%	17.10%
Required employer contribution rate	10.328%	10.328%
Required state contribution rate		

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the District's total contributions were \$10,228,319.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	\$ 92,783,354
State's proportionate share of the net pension liability	<u>50,619,514</u>
Total	<u><u>\$ 143,402,868</u></u>

The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively was 0.1027 percent and 0.0997 percent, resulting in a net increase in the proportionate share of 0.0030 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$12,154,577. In addition, the District recognized pension expense and revenue of \$7,538,337 for support provided by the State. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 10,228,319	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	6,024,032	2,114,173
Differences between projected and actual earnings on pension plan investments	-	3,574,043
Differences between expected and actual experience in the measurement of the total pension liability	234,229	2,614,527
Changes of assumptions	<u>11,735,066</u>	<u>-</u>
Total	<u>\$ 28,221,646</u>	<u>\$ 8,302,743</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred inflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2021	\$ (360,504)
2022	(2,837,370)
2023	(589,081)
2024	<u>212,912</u>
Total	<u>\$ (3,574,043)</u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is seven years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2021	\$ 3,029,010
2022	3,029,011
2023	2,998,478
2024	3,310,806
2025	745,559
Thereafter	151,763
	<hr/>
Total	\$ 13,264,627
	<hr/> <hr/>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2019, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.8%
Fixed income	12%	1.3%
Real estate	13%	3.6%
Private equity	13%	6.3%
Risk mitigating strategies	9%	1.8%
Inflation sensitive	4%	(3.3%)
Cash/liquidity	2%	(0.4%)

Discount Rate

The discount rate used to measure the total pension liability was 7.10 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.10 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District’s proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 138,162,094
Current discount rate (7.10%)	92,783,354
1% increase (8.10%)	55,155,736

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees’ Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees’ Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2018 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:
<https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member’s final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member’s beneficiary if the member dies while actively employed. An employee’s eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	19.721%	19.721%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2020, are presented above and the total District contributions were \$4,148,708.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

As of June 30, 2020, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$41,269,104. The net pension liability was measured as of June 30, 2019. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2019 and June 30, 2018, respectively was 0.1416 percent and 0.1381 percent, resulting in a net increase/decrease in the proportionate share of 0.0035 percent.

For the year ended June 30, 2020, the District recognized pension expense of \$7,322,512. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$4,148,708	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	628,294	290,639
Differences between projected and actual earnings on pension plan investments	-	382,780
Differences between expected and actual experience in the measurement of the total pension liability	2,997,794	-
Changes of assumptions	1,964,538	-
	<u>\$ 9,739,334</u>	<u>\$ 673,419</u>
Total	<u>\$ 9,739,334</u>	<u>\$ 673,419</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

The deferred inflows of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Inflows of Resources</u>
2021	\$ 377,844
2022	(754,734)
2023	(114,371)
2024	<u>108,481</u>
Total	<u><u>(382,780)</u></u>

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 4.1 years and will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Deferred Outflows/(Inflows) of Resources</u>
2021	\$3,203,517
2022	1,349,243
2023	679,297
2024	<u>67,930</u>
Total	<u><u>\$ 5,299,987</u></u>

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of June 30, 2018, and rolling forward the total pension liability to June 30, 2019. The financial reporting actuarial valuation as of June 30, 2018, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.50%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using Society of Actuaries 90 percent of scale MP-2016.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	50%	5.98%
Fixed income	28%	2.62%
Inflation assets	0%	1.81%
Private equity	8%	7.23%
Real assets	13%	4.93%
Liquidity	1%	(0.92%)

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.15%)	\$ 59,486,700
Current discount rate (7.15%)	41,269,104
1% increase (8.15%)	26,156,350

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use its alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings. An employee is required to contribute 6.2 percent of his or her gross earnings to the pension plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$5,287,368 (10.328 percent of annual payroll). Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements.

Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated an additional 2019–2020 contribution on behalf of school employers of \$1.1 billion for CalSTRS. A proportionate share of these contributions in the amount of \$1,773,563 has been recorded in these financial statements. On behalf payments related to these additional contributions have been excluded from the calculation of available reserves and have not been included in the budgeted amounts reported in the General Fund – Budgetary Comparison Schedule and Major Special Revenue Fund – Budgetary Comparison Schedule.

Note 13 - Commitments and Contingencies**Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2020.

Litigation

The District is not currently a party to any legal proceedings.

Operating Leases

The District has entered into various operating leases for buildings and equipment with lease terms in excess of one year. None of these agreements contain purchase options. All agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessors, but it is unlikely that the District will cancel any of the agreements prior to the expiration date.

Construction Commitments

As of June 30, 2020, the District had the following commitments with respect to the unfinished capital projects:

Capital Project	Remaining Construction Commitment	Expected Date of Completion
Atwater High School Security Fence	\$ 716,336	December 2020
Atwater High School Bleacher Replacement	1,435,173	April 2021
Atwater High School HVAC/Rexonors 3 Units	184,638	September 2020
Merced High School C. Hostetler Stadium Project	3,296,284	June 2022
District Wide Solar PPA Project	355,145	February 2022
Livingston High School 100 Wing Re-Roof	64,013	September 2020
Livingston High School HVAC Rep FO, 603, 604, 206	113,395	September 2020
Livingston High School Admin Building Re-Roof	192,517	September 2020
Atwater High School 400 Wing Building Re-Roof	125,567	September 2020
Merced High School 300 Wing Building Re-Roof	121,582	September 2020
Merced High School Football Concession Restroom Phase 1	175,637	September 2020
Total	\$ 6,780,287	

Note 14 - Participation in Public Entity Risk Pools and Joint Powers Authorities

The District is a member of the Self-Insured Schools of California (SISC III), the Self-Insured Schools of California (SISC II), and the Merced County Schools Insurance Group (MCSIG) public entity risk pools. The District pays an annual premium to each entity for its health, workers' compensation, and property liability coverage. The relationships between the District and pools are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are available from the respective entities.

The District has no appointed members to the governing board of SISC III.

During the year ended June 30, 2020, the District made payment of \$11,239,912 to SISC III for medical, dental and vision insurance.

The District has no appointed members to the governing board of SISC II.

During the year ended June 30, 2020, the District made payment of \$841,106 to SISC II for property and liability insurance.

The District has appointed two members to the governing board of MCSIG.

During the year ended June 30, 2020, the District made payment of \$1,563,509 to MCSIG for workers' compensation insurance.

Note 15 - Subsequent Event

General Obligation Bonds

On February 24, 2021, the District issued \$19,996,601 of Election of 2008 General Obligation Bonds, Series F. The bonds were issued to finance the specific projects approved by the voters of the District. The bonds were issued as current interest bonds and capital appreciation bonds.

Note 16 - Risks and Uncertainties

World-Wide Coronavirus Pandemic

The District has been negatively impacted by the effects of the world-wide coronavirus pandemic. The District is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the District's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.



Required Supplementary Information
June 30, 2020

Merced Union High School District

Merced Union High School District
 Budgetary Comparison Schedule – General Fund
 Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variances - Positive (Negative)
	Original	Final		Final to Actual
Revenues				
Local Control Funding Formula	\$ 125,170,601	\$ 126,126,530	\$ 126,499,189	\$ 372,659
Federal sources	8,838,140	10,326,842	8,868,433	(1,458,409)
Other State sources	10,461,727	13,432,702	14,157,326	724,624
Other local sources	1,572,818	2,741,337	3,597,056	855,719
Total revenues ¹	<u>146,043,286</u>	<u>152,627,411</u>	<u>153,122,004</u>	<u>494,593</u>
Expenditures				
Current				
Certificated salaries	61,621,472	60,291,124	59,956,151	334,973
Classified salaries	20,821,103	20,975,802	20,788,831	186,971
Employee benefits	35,771,566	37,070,991	37,395,017	(324,026)
Books and supplies	10,592,281	7,938,212	6,072,612	1,865,600
Services and operating expenditures	14,595,637	16,373,031	13,967,680	2,405,351
Other outgo	1,895,090	2,841,245	3,058,075	(216,830)
Capital outlay	847,384	1,522,121	1,998,599	(476,478)
Total expenditures ¹	<u>146,144,533</u>	<u>147,012,526</u>	<u>143,236,965</u>	<u>3,775,561</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(101,247)</u>	<u>5,614,885</u>	<u>9,885,039</u>	<u>4,270,154</u>
Other Financing Uses				
Transfers out	<u>(3,303,434)</u>	<u>(4,236,404)</u>	<u>(5,954,706)</u>	<u>(1,718,302)</u>
Net Change in Fund Balances	(3,404,681)	1,378,481	3,930,333	2,551,852
Fund Balance - Beginning	<u>28,234,276</u>	<u>28,234,276</u>	<u>28,234,276</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 24,829,595</u>	<u>\$ 29,612,757</u>	<u>\$ 32,164,609</u>	<u>\$ 2,551,852</u>

¹ Due to the consolidation of the Pupil Transportation Equipment Fund, the Special Reserve Fund for Other Than Capital Outlay Projects Fund, and the Special Reserve Fund for Postemployment Benefits Fund for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however are not included in the original and final General Fund budgets. On behalf payments of \$5,287,368 are included in the actual revenues and expenditures but have not been included in the budgeted amounts. In addition, on behalf payments of \$1,773,563 relating to Senate Bill 90 are included in the actual revenues and expenditures but have not been included in the budgeted amounts.

Merced Union High School District
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 1,241,793	\$ 1,208,558	\$ 1,176,212
Interest	849,355	825,711	722,942
Difference between expected and actual experience	(6,081,620)	-	-
Changes of assumptions	346,441	(546,777)	-
Benefit payments	(1,104,339)	(874,575)	(840,938)
Expected minus actual benefit payments	215,113	-	-
Net change in total OPEB liability	(4,533,257)	612,917	1,058,216
Total OPEB Liability - Beginning	<u>22,175,152</u>	<u>21,562,235</u>	<u>20,504,019</u>
Total OPEB Liability - Ending	<u>\$ 17,641,895</u>	<u>\$ 22,175,152</u>	<u>\$ 21,562,235</u>
Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Total OPEB Liability as a Percentage of Covered Payroll	<u>N/A¹</u>	<u>N/A¹</u>	<u>N/A¹</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

¹ The OPEB Plan is not administered through a trust and contributions are not made based on a measure of pay; therefore, no measure of payroll is presented.

Note: In the future, as data becomes available, ten years of information will be presented.

Merced Union High School District
Schedule of the District's Proportionate Share of the Net OPEB Liability – MPP Program
Year Ended June 30, 2020

Year ended June 30,	2020	2019	2018
Proportion of the net OPEB liability	0.1817%	0.1790%	0.1708%
Proportionate share of the net OPEB liability	\$ 676,772	\$ 685,216	\$ 718,674
Covered payroll	N/A ¹	N/A ¹	N/A ¹
Proportionate share of the net OPEB liability as a percentage of it's covered payroll	N/A ¹	N/A ¹	N/A ¹
Plan fiduciary net position as a percentage of the total OPEB liability	(0.81%)	(0.40%)	0.01%
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017

¹ As of June 30, 2012, active members are no longer eligible for future enrollment in the MPP Program; therefore, the covered payroll disclosure is not applicable.

Note : In the future, as data becomes available, ten years of information will be presented.

Merced Union High School District
Schedule of the District's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
CalSTRS						
Proportion of the net pension liability	0.1027%	0.0997%	0.0944%	0.0983%	0.0995%	0.0974%
Proportionate share of the net pension liability	\$ 92,783,354	\$ 91,664,305	\$ 87,260,594	\$ 79,480,214	\$ 67,020,319	\$ 56,914,202
State's proportionate share of the net pension liability	50,619,514	52,482,102	51,622,631	45,246,668	35,446,361	34,367,253
Total	<u>\$ 143,402,868</u>	<u>\$ 144,146,407</u>	<u>\$ 138,883,225</u>	<u>\$ 124,726,882</u>	<u>\$ 102,466,680</u>	<u>\$ 91,281,455</u>
Covered payroll	<u>\$ 58,268,249</u>	<u>\$ 53,355,800</u>	<u>\$ 52,277,591</u>	<u>\$ 50,087,838</u>	<u>\$ 45,747,275</u>	<u>\$ 43,806,339</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>159.23%</u>	<u>171.80%</u>	<u>166.92%</u>	<u>158.68%</u>	<u>146.50%</u>	<u>129.92%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>73%</u>	<u>71%</u>	<u>69%</u>	<u>70%</u>	<u>74%</u>	<u>77%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
CalPERS						
Proportion of the net pension liability	0.1416%	0.1381%	0.1412%	0.1407%	0.1361%	0.1352%
Proportionate share of the net pension liability	\$ 41,269,104	\$ 36,827,435	\$ 33,704,050	\$ 27,786,182	\$ 20,064,360	\$ 15,344,640
Covered payroll	<u>\$ 19,819,367</u>	<u>\$ 18,240,616</u>	<u>\$ 17,974,316</u>	<u>\$ 16,865,300</u>	<u>\$ 14,889,330</u>	<u>\$ 14,183,840</u>
Proportionate share of the net pension liability as a percentage of its covered payroll	<u>208.23%</u>	<u>201.90%</u>	<u>187.51%</u>	<u>164.75%</u>	<u>134.76%</u>	<u>108.18%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>70%</u>	<u>71%</u>	<u>72%</u>	<u>74%</u>	<u>79%</u>	<u>83%</u>
Measurement Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014

Note : In the future, as data becomes available, ten years of information will be presented.

Merced Union High School District
Schedule of the District Contributions
Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
CalSTRS						
Contractually required contribution	\$ 10,228,319	\$ 9,486,071	\$ 7,699,242	\$ 6,576,521	\$ 5,374,425	\$ 4,062,358
Less contributions in relation to the contractually required contribution	<u>10,228,319</u>	<u>9,486,071</u>	<u>7,699,242</u>	<u>6,576,521</u>	<u>5,374,425</u>	<u>4,062,358</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 59,814,731</u>	<u>\$ 58,268,249</u>	<u>\$ 53,355,800</u>	<u>\$ 52,277,591</u>	<u>\$ 50,087,838</u>	<u>\$ 45,747,275</u>
Contributions as a percentage of covered payroll	<u>17.10%</u>	<u>16.28%</u>	<u>14.43%</u>	<u>12.58%</u>	<u>10.73%</u>	<u>8.88%</u>
CalPERS						
Contractually required contribution	\$ 4,148,708	\$ 3,579,774	\$ 2,832,950	\$ 2,496,273	\$ 1,998,032	\$ 1,752,623
Less contributions in relation to the contractually required contribution	<u>4,148,708</u>	<u>3,579,774</u>	<u>2,832,950</u>	<u>2,496,273</u>	<u>1,998,032</u>	<u>1,752,623</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 21,037,006</u>	<u>\$ 19,819,367</u>	<u>\$ 18,240,616</u>	<u>\$ 17,974,316</u>	<u>\$ 16,865,300</u>	<u>\$ 14,889,330</u>
Contributions as a percentage of covered payroll	<u>19.721%</u>	<u>18.062%</u>	<u>15.531%</u>	<u>13.888%</u>	<u>11.847%</u>	<u>11.771%</u>

Note : In the future, as data becomes available, ten years of information will be presented.

Note 1 - Purpose of Schedules

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California Education Code. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for.

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Changes in the District's Total OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the total OPEB liability, including beginning and ending balances. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes in Assumptions* - The plan discount rate assumption was changed from 3.80 percent to 3.50 percent since the previous valuation.

Schedule of the District's Proportionate Share of the Net OPEB Liability - MPP Program

This schedule presents information on the District's proportionate share of the net OPEB Liability - MPP Program and the plans' fiduciary net position. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in the benefit terms since the previous valuation.
- *Changes of Assumptions* – The plan rate of investment return assumption was changed from 3.87 percent to 3.50 percent since the previous valuation.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

- *Changes in Benefit Terms* - There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* - There were no changes in economic assumptions for either the CalSTRS or CalPERS plans from the previous valuations.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.



Supplementary Information
June 30, 2020

Merced Union High School District

Merced Union High School District
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through California Department of Education (CDE)			
Special Education Cluster			
Special Education Grants to States - Basic Local Assistance	84.027	13379	\$ 1,492,628
Special Education Grants to States - Mental Health	84.027	14468	<u>53,457</u>
Total Special Education Cluster			<u>1,546,085</u>
Adult Education - Basic Grants to States	84.002	14508	68,760
Adult Education - Basic Grants to States	84.002	13978	<u>61,050</u>
Subtotal			<u>129,810</u>
Title I Grants to Local Educational Agencies	84.010	14329	4,265,517
Title I Grants to Local Educational Agencies	84.010	15438	<u>123,039</u>
Subtotal			<u>4,388,556</u>
Supporting Effective Instruction State Grants - Teacher Quality	84.367	14341	506,062
English Language Acquisition State Grants - LEP	84.365	14346	85,906
Student Support and Academic Enrichment Program	84.424	15396	312,095
Twenty-First Century Community Learning Centers	84.287	14349	1,523,383
Education for Homeless Children and Youth	84.196	14332	53,341
Career and Technical Education - Basic Grants to States	84.048	14894	<u>453,005</u>
Total U.S. Department of Education			<u>8,998,243</u>
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
National School Lunch Program	10.555	13391	2,028,333
National School Lunch Program - Meal Supplements	10.555	13391	60,790
School Breakfast Program - Especially Needy Breakfast	10.553	13526	826,762
National School Lunch Program - Summer Food Program	10.559	13004	736,630
National School Lunch Program - Commodity Supplemental Food	10.555	13391	<u>155,930</u>
Total Child Nutrition Cluster			<u>3,808,445</u>
Child and Adult Care Food Program	10.558	13665	<u>7,673</u>
Total U.S. Department of Agriculture			<u>3,816,118</u>
Total Expenditures of Federal Awards			<u><u>\$ 12,814,361</u></u>

Organization

The Merced Union High School District was established in 1915 and comprises the area of approximately 625 square miles located in Merced County. The District operates six high schools, one continuation school, one community day school, and one adult school. There were no boundary changes during the year.

Governing Board

Member	Office	Term Expires
Richard Lopez	President	2022
Tiffany Pickle	Vice President	2022
Erin Hamm	Clerk	2022
John Sweigard	Member	2020
Julio Valadez	Member	2020

Administration

Alan Peterson	Superintendent
Scott Weimer	Assistant Superintendent/CBO
Sonia Garcia	Director of Fiscal Services

Merced Union High School District
Schedule of Average Daily Attendance
Year Ended June 30, 2020

	<u>Second Period Report</u>	<u>Annual Report</u>
Regular ADA Ninth through twelfth	10,084.34	10,084.34
Community Day School Ninth through twelfth	<u>67.89</u>	<u>81.11</u>
Total ADA	<u><u>10,152.23</u></u>	<u><u>10,165.45</u></u>

Merced Union High School District

Schedule of Instructional Time

Year Ended June 30, 2020

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grades 9 - 12	64,800				
Grade 9		64,819	180	N/A	Complied
Grade 10		64,819	180	N/A	Complied
Grade 11		64,819	180	N/A	Complied
Grade 12		64,819	180	N/A	Complied

Merced Union High School District
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
Year Ended June 30, 2020

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2020.

Merced Union High School District
Schedule of Financial Trends and Analysis
Year Ended June 30, 2020

	(Budget) 2021 ¹	2020	2019	2018
General Fund ³				
Revenues	\$ 142,287,931	\$ 151,044,586	\$ 155,019,371	\$ 131,785,451
Other sources	-	-	438,917	2,051,092
Total Revenues and Other Sources	<u>142,287,931</u>	<u>151,044,586</u>	<u>155,458,288</u>	<u>133,836,543</u>
Expenditures	143,137,783	140,538,401	145,612,158	126,321,924
Other uses and transfers out	2,079,768	8,154,706	8,429,329	6,700,263
Total Expenditures and Other Uses	<u>145,217,551</u>	<u>148,693,107</u>	<u>154,041,487</u>	<u>133,022,187</u>
Increase/(Decrease) in Fund Balance	<u>(2,929,620)</u>	<u>2,351,479</u>	<u>1,416,801</u>	<u>814,356</u>
Ending Fund Balance	<u>\$ 13,756,014</u>	<u>\$ 16,685,634</u>	<u>\$ 14,334,155</u>	<u>\$ 12,917,354</u>
Available Reserves ^{2,4}	<u>\$ 14,329,704</u>	<u>\$ 11,432,842</u>	<u>\$ 15,545,946</u>	<u>\$ 13,879,491</u>
Available Reserves as a Percentage of Total Outgo ⁴	<u>9.87%</u>	<u>7.69%</u>	<u>10.41%</u>	<u>10.00%</u>
Long-Term Liabilities	<u>Not Available</u>	<u>\$ 300,519,317</u>	<u>\$ 312,622,898</u>	<u>\$ 297,691,930</u>
K-12 Average Daily Attendance at P-2	<u>10,152</u>	<u>10,152</u>	<u>10,012</u>	<u>9,976</u>

The General Fund balance has increased by \$8,268,280 over the past two years. The fiscal year 2020-2021 budget projects a decrease of \$2,929,620 (13.8 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in two of the past three years but anticipates incurring an operating deficit during the 2020-2021 fiscal year. Total long-term liabilities have increased by \$2,827,387 over the past two years primarily due to the issuance of General Obligation bonds in the current year.

Average daily attendance has increased by 176 over the past two years. No change in ADA is anticipated during fiscal year 2020-2021.

¹ Budget 2021 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all amounts reserved for economic uncertainties contained with the General Fund.

³ General Fund amounts do not include activity related to the consolidation of the Pupil Transportation Fund, the Special Reserve Fund for Other than Capital Outlay Projects and the Special Reserve Postemployment Benefits Fund as required by GASB Statement No. 54.

⁴ On behalf payments relating to Senate Bill 90 have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2020 and June 30, 2019.

Merced Union High School District
Combining Balance Sheet – Non-Major Governmental Funds
June 30, 2020

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Assets									
Deposits and investments	\$ 54,567	\$ 154,923	\$ 5,827	\$ 1,060,772	\$ 4,054,418	\$ 5,095,621	\$ 378,575	\$ 8,787,667	\$ 19,592,370
Receivables	277,198	-	431,990	-	3,191	4,419	-	-	716,798
Due from other funds	18,826	4,207	56,170	725,306	-	-	-	-	804,509
Stores inventories	-	-	134,608	-	-	-	-	-	134,608
Total assets	\$ 350,591	\$ 159,130	\$ 628,595	\$ 1,786,078	\$ 4,057,609	\$ 5,100,040	\$ 378,575	\$ 8,787,667	\$ 21,248,285
Liabilities and Fund Balances									
Liabilities									
Accounts payable	\$ 90,692	\$ 10,273	\$ 99,932	\$ 30,168	\$ 345,700	\$ 92,625	\$ -	\$ -	\$ 669,390
Due to other funds	162,880	25,163	240,444	-	-	-	-	-	428,487
Total liabilities	253,572	35,436	340,376	30,168	345,700	92,625	-	-	1,097,877
Fund Balances									
Nonspendable	-	-	135,771	-	-	-	-	-	135,771
Restricted	-	123,694	152,448	-	3,711,909	5,007,415	378,575	8,787,667	18,161,708
Committed	97,019	-	-	755,910	-	-	-	-	852,929
Total fund balances	97,019	123,694	288,219	1,755,910	3,711,909	5,007,415	378,575	8,787,667	20,150,408
Total liabilities and fund balances	\$ 350,591	\$ 159,130	\$ 628,595	\$ 1,786,078	\$ 4,057,609	\$ 5,100,040	\$ 378,575	\$ 8,787,667	\$ 21,248,285

Merced Union High School District
Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds
Year Ended June 30, 2020

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Revenues									
Local Control Funding Formula	\$ -	\$ -	\$ -	\$ 374,034	\$ -	\$ -	\$ -	\$ -	\$ 374,034
Federal sources	129,810	7,673	3,808,445	-	-	-	-	873,071	4,818,999
Other State sources	156,013	11,763	286,648	-	-	-	-	-	454,424
Other local sources	2,341,096	5,500	128,766	23,150	127,512	2,570,401	4,471	6,529,683	11,730,579
Total revenues	2,626,919	24,936	4,223,859	397,184	127,512	2,570,401	4,471	7,402,754	17,378,036
Expenditures									
Current									
Instruction	1,523,895	345,313	-	-	-	-	-	-	1,869,208
Instruction-related activities									
School site administration	869,251	-	-	-	-	-	-	-	869,251
Pupil services									
Food services	-	54,964	5,430,523	-	-	-	-	-	5,485,487
All other pupil services	29,588	85,439	-	-	-	-	-	-	115,027
Administration									
All other administration	116,135	24,138	168,492	-	-	6,300	-	-	315,065
Plant services	200,977	640	20,288	-	-	137,998	-	-	359,903
Facility acquisition and construction	-	-	-	1,108,761	2,153,277	805,424	-	-	4,067,462
Debt service									
Principal	-	-	-	-	-	-	-	4,890,000	4,890,000
Interest and other	-	-	-	-	-	-	-	3,535,387	3,535,387
Total expenditures	2,739,846	510,494	5,619,303	1,108,761	2,153,277	949,722	-	8,425,387	21,506,790
Excess (Deficiency) of Revenues Over Expenditures	(112,927)	(485,558)	(1,395,444)	(711,577)	(2,025,765)	1,620,679	4,471	(1,022,633)	(4,128,754)
Other Financing Sources (Uses)									
Transfers in	-	489,519	1,613,915	1,351,272	-	-	-	-	3,454,706
Proceeds from the sale of refunding bonds	-	-	-	-	-	-	-	48,949,738	48,949,738
Refunding of prior bonds	-	-	-	-	-	-	-	(48,311,800)	(48,311,800)

Merced Union High School District
 Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds
 Year Ended June 30, 2020

	Adult Education Fund	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Building Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
Net Financing Sources (Uses)	-	489,519	1,613,915	1,351,272	-	-	-	637,938	4,092,644
Net Change in Fund Balances	(112,927)	3,961	218,471	639,695	(2,025,765)	1,620,679	4,471	(384,695)	(36,110)
Fund Balance - Beginning	209,946	119,733	69,748	1,116,215	5,737,674	3,386,736	374,104	9,172,362	20,186,518
Fund Balance - Ending	<u>\$ 97,019</u>	<u>\$ 123,694</u>	<u>\$ 288,219</u>	<u>\$ 1,755,910</u>	<u>\$ 3,711,909</u>	<u>\$ 5,007,415</u>	<u>\$ 378,575</u>	<u>\$ 8,787,667</u>	<u>\$ 20,150,408</u>

Merced Union High School District
Private-Purpose Scholarship Trust Funds- Combining Statement of Net Position
June 30, 2020

	Scholarships
Assets	
Deposits and investments	\$ 1,532,432
Liabilities	
Net Position	
Reserved for scholarships	
Non-expendable	
Acker scholarship	\$ 24,930
Alvernaz scholarship	20,045
Beal scholarship	10,208
Callister scholarship	3,053
Cavaiani scholarship	8,879
Chamberlain scholarship	15,118
Cruikshank scholarship	14,090
Landram scholarship	26,235
Montano scholarship	4,594
Mudd scholarship	21,168
Okuda scholarship	10,278
Roberts scholarship	9,304
Roveto scholarship	104,909
Weimer scholarship	62,327
Expendable	
AARP scholarship	505
Barnes scholarship	19,619
Bennett scholarship	(18,738)
Bloss scholarship	783,190
Brewer, James scholarship	18,597
Brewer, Pamela scholarship	17,622
Broussard scholarship	1,341
Brown scholarship	1,445
Church scholarship	10,502
Crookham scholarship	142
Dallas scholarship	1,298
Dibblee, Al scholarship	30,154
Ed Dimsey scholarship	1,002
Fancher scholarship	204,401
Fite scholarship	387
Gear up scholarship	6
Granado scholarship	10,183
Honey, Dave scholarship	1,950
Jackson scholarship	2,948
Joyner scholarship	109
Kiwanis scholarship	284
Lau scholarship	3,220
Lockwood scholarship	9,828

Merced Union High School District
Private-Purpose Scholarship Trust Funds- Combining Statement of Net Position
June 30, 2020

Net Position

Reserved for scholarships

Expendable

Martinelli scholarship	1
Mccollum scholarship	3,165
Mcperson-Hanson scholarship	133
Mitchell scholarship	522
Moberly scholarship	4,384
Newhall scholarship	14,376
Wyatt Pimentel scholarship	29,050
Prince scholarship	20,567
Race to End Stigma scholarship	5,000
Rohm scholarship	56
Sodexo scholarship	140
Souza scholarship	10,293
Stowell scholarship	6,847
Thompson scholarship	(242)
Yagi scholarship	3,007

Total net position reserved for scholarships

\$ 1,532,432

Merced Union High School District
Private-Purpose Scholarship Trust Funds – Combining Statement of Changes in Net Position
Year Ended June 30, 2020

	Acker Scholarship	Alvernaz Scholarship	Beal Scholarship	Callister Scholarship	Cavaiani Scholarship	Chamberlain Scholarship
Additions						
Trust income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,706
Interest income	11	9	4	1	11	8
Total additions	<u>11</u>	<u>9</u>	<u>4</u>	<u>1</u>	<u>11</u>	<u>2,714</u>
Deductions						
Scholarships awarded	500	-	500	-	-	3,600
Miscellaneous	-	-	-	-	-	-
Total deductions	<u>500</u>	<u>-</u>	<u>500</u>	<u>-</u>	<u>-</u>	<u>3,600</u>
Non-Operating Revenues/Expenses						
Transfer in	500	-	-	-	-	6,250
Transfer out	(500)	-	-	-	-	(6,250)
Total non-operating revenues/expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	(489)	9	(496)	1	11	(886)
Net Position - Beginning	<u>\$ 25,419</u>	<u>\$ 20,036</u>	<u>\$ 10,704</u>	<u>\$ 3,052</u>	<u>\$ 8,868</u>	<u>\$ 16,004</u>
Net Position - Ending	<u><u>\$ 24,930</u></u>	<u><u>\$ 20,045</u></u>	<u><u>\$ 10,208</u></u>	<u><u>\$ 3,053</u></u>	<u><u>\$ 8,879</u></u>	<u><u>\$ 15,118</u></u>

Merced Union High School District
Private-Purpose Scholarship Trust Funds – Combining Statement of Changes in Net Position
Year Ended June 30, 2020

	Cruikshank Scholarship	Landram Scholarship	Montano Scholarship	Mudd Scholarship	Okuda Scholarship	Roberts Scholarship
Additions						
Trust income	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ -
Interest income	6	11	-	9	4	4
Total additions	<u>6</u>	<u>11</u>	<u>1</u>	<u>9</u>	<u>4</u>	<u>4</u>
Deductions						
Scholarships awarded	-	-	300	-	-	-
Miscellaneous	-	-	-	-	-	-
Total deductions	<u>-</u>	<u>-</u>	<u>300</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-Operating Revenues/Expenses						
Transfer in	-	-	300	-	-	-
Transfer out	-	-	(300)	-	-	-
Total non-operating revenues/expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	6	11	(299)	9	4	4
Net Position - Beginning	<u>\$ 14,084</u>	<u>\$ 26,224</u>	<u>\$ 4,893</u>	<u>\$ 21,159</u>	<u>\$ 10,274</u>	<u>\$ 9,300</u>
Net Position - Ending	<u><u>\$ 14,090</u></u>	<u><u>\$ 26,235</u></u>	<u><u>\$ 4,594</u></u>	<u><u>\$ 21,168</u></u>	<u><u>\$ 10,278</u></u>	<u><u>\$ 9,304</u></u>

Merced Union High School District
Private-Purpose Scholarship Trust Funds – Combining Statement of Changes in Net Position
Year Ended June 30, 2020

	Roveto Scholarship	Weimer Scholarship	Total Non-Expendable Scholarships
Additions			
Trust income	\$ -	\$ 150	\$ 2,857
Interest income	1,562	55	1,695
Total additions	<u>1,562</u>	<u>205</u>	<u>4,552</u>
Deductions			
Scholarships awarded	32,250	1,000	38,150
Miscellaneous	-	-	-
Total deductions	<u>32,250</u>	<u>1,000</u>	<u>38,150</u>
Non-Operating Revenues/Expenses			
Transfer in	31,000	-	38,050
Transfer out	(31,000)	-	(38,050)
Total non-operating revenues/expenses	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	(30,688)	(795)	(33,598)
Net Position - Beginning	<u>\$ 135,597</u>	<u>\$ 63,122</u>	368,736
Net Position - Ending	<u><u>\$ 104,909</u></u>	<u><u>\$ 62,327</u></u>	<u><u>\$ 335,138</u></u>

Merced Union High School District
Private-Purpose Scholarship Trust Funds – Combining Statement of Changes in Net Position
Year Ended June 30, 2020

	AARP Scholarship	Barnes Scholarship	Bennett Scholarship	Bloss Scholarship	Brewer, James Scholarship	Brewer, Pamela Scholarship
Additions						
Trust income	\$ -	\$ -	\$ -	\$ 501,579	\$ 500	\$ 500
Interest income	1	10	2	1,920	138	136
Total additions	1	10	2	503,499	638	636
Deductions						
Scholarships awarded	-	1,000	-	525,228	500	500
Miscellaneous	-	-	-	12	-	-
Total Deductions	-	1,000	-	525,240	500	500
Non-Operating Revenues/Expenses						
Transfer in	-	1,000	-	538,864	500	1,250
Transfer out	-	(1,000)	-	(538,864)	(500)	(1,250)
Total non-operating revenues/expenses	-	-	-	-	-	-
Change in Net Position	1	(990)	2	(21,741)	138	136
Net Position - Beginning	504	20,609	783,188	3,003	18,459	17,486
Net Position - Ending	\$ 505	\$ 19,619	\$ 783,190	\$ (18,738)	\$ 18,597	\$ 17,622

Merced Union High School District
Private-Purpose Scholarship Trust Funds – Combining Statement of Changes in Net Position
Year Ended June 30, 2020

	Broussard Scholarship	Brown Scholarship	Church Scholarship	Crookham Scholarship	Dallas Scholarship	Dibblee, AI & IIABMMC Scholarship
Additions						
Trust income	\$ -	\$ -	\$ 12	\$ -	\$ -	\$ -
Interest income	1	1	5	-	1	23
Total additions	1	1	17	-	1	23
Deductions						
Scholarships awarded	-	1,000	-	-	-	750
Miscellaneous	-	-	-	-	-	-
Total Deductions	-	1,000	-	-	-	750
Non-Operating Revenues/Expenses						
Transfer in	-	-	200	-	-	1,000
Transfer out	-	-	(200)	-	-	(1,000)
Total non-operating revenues/expenses	-	-	-	-	-	-
Change in Net Position	1	(999)	17	-	1	(727)
Net Position - Beginning	1,340	2,444	10,485	142	1,297	30,881
Net Position - Ending	\$ 1,341	\$ 1,445	\$ 10,502	\$ 142	\$ 1,298	\$ 30,154

Merced Union High School District
Private-Purpose Scholarship Trust Funds – Combining Statement of Changes in Net Position
Year Ended June 30, 2020

	Ed Dimsey Scholarship	Fancher Scholarship	Fite Scholarship	Gear Up Scholarship	Granado Scholarship	Honey, Dave Scholarship
Additions						
Trust income	\$ -	\$ 121,023	\$ -	\$ -	\$ 200	\$ 1,950
Interest income	-	107	-	-	8	-
Total additions	-	121,130	-	-	208	1,950
Deductions						
Scholarships awarded	-	89,273	-	-	2,875	-
Miscellaneous	-	-	-	-	-	-
Total Deductions	-	89,273	-	-	2,875	-
Non-Operating Revenues/Expenses						
Transfer in	-	94,008	-	-	3,000	-
Transfer out	-	(94,008)	-	-	(3,000)	-
Total non-operating revenues/expenses	-	-	-	-	-	-
Change in Net Position	-	31,857	-	-	(2,667)	1,950
Net Position - Beginning	1,002	172,544	387	6	12,850	-
Net Position - Ending	<u>\$ 1,002</u>	<u>\$ 204,401</u>	<u>\$ 387</u>	<u>\$ 6</u>	<u>\$ 10,183</u>	<u>\$ 1,950</u>

Merced Union High School District
Private-Purpose Scholarship Trust Funds – Combining Statement of Changes in Net Position
Year Ended June 30, 2020

	Jackson Scholarship	Joyner Scholarship	Kiwanis Scholarship	Lau Scholarship	Lockwood Scholarship	Martinelli Scholarship
Additions						
Trust income	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest income	2	-	1	3	4	-
Total additions	2	-	1	3	4	-
Deductions						
Scholarships awarded	200	-	-	-	-	-
Miscellaneous	-	1	-	-	-	-
Total Deductions	200	1	-	-	-	-
Non-Operating Revenues/Expenses						
Transfer in	200	-	250	-	-	250
Transfer out	(200)	-	(250)	-	-	(250)
Total non-operating revenues/expenses	-	-	-	-	-	-
Change in Net Position	(198)	(1)	1	3	4	-
Net Position - Beginning	3,146	110	283	3,217	9,824	1
Net Position - Ending	\$ 2,948	\$ 109	\$ 284	\$ 3,220	\$ 9,828	\$ 1

Merced Union High School District
Private-Purpose Scholarship Trust Funds – Combining Statement of Changes in Net Position
Year Ended June 30, 2020

	McCollum Scholarship	McPherson- Hanson Scholarship	Mitchell Scholarship	Moberly Scholarship	Newhall Scholarship	Wyatt Pimentel Scholarship
Additions						
Trust income	\$ -	\$ -	\$ 1	\$ -	\$ -	\$ 29,050
Interest income	1	-	-	2	6	-
Total additions	1	-	1	2	6	29,050
Deductions						
Scholarships awarded	-	-	-	-	1,250	-
Miscellaneous	-	-	-	-	-	-
Total Deductions	-	-	-	-	1,250	-
Non-Operating Revenues/Expenses						
Transfer in	-	-	-	-	625	-
Transfer out	-	-	-	-	(625)	-
Total non-operating revenues/expenses	-	-	-	-	-	-
Change in Net Position	1	-	1	2	(1,244)	29,050
Net Position - Beginning	3,164	133	521	4,382	15,620	-
Net Position - Ending	\$ 3,165	\$ 133	\$ 522	\$ 4,384	\$ 14,376	\$ 29,050

Merced Union High School District
Private-Purpose Scholarship Trust Funds – Combining Statement of Changes in Net Position
Year Ended June 30, 2020

	Prince Scholarship	Race to End Stigma Scholarship	Rohm Scholarship	Sodexho Scholarship	Souza Scholarship	Stowell Scholarship
Additions						
Trust income	\$ 1,000	\$ 5,000	\$ -	\$ -	\$ 4	\$ 800
Interest income	362	-	-	1	-	5
Total additions	1,362	5,000	-	1	4	805
Deductions						
Scholarships awarded	11,250	-	-	-	-	1,500
Miscellaneous	-	-	-	-	-	-
Total Deductions	11,250	-	-	-	-	1,500
Non-Operating Revenues/Expenses						
Transfer in	10,375	-	-	-	125	1,500
Transfer out	(10,375)	-	-	-	(125)	(1,500)
Total non-operating revenues/expenses	-	-	-	-	-	-
Change in Net Position	(9,888)	5,000	-	1	4	(695)
Net Position - Beginning	30,455	-	56	139	10,289	7,542
Net Position - Ending	\$ 20,567	\$ 5,000	\$ 56	\$ 140	\$ 10,293	\$ 6,847

Merced Union High School District
Private-Purpose Scholarship Trust Funds – Combining Statement of Changes in Net Position
Year Ended June 30, 2020

	Thompson Scholarship	Yagi Scholarship	Total Expendable Scholarships	Total (Memorandum Only)
Additions				
Trust income	\$ -	\$ -	661,619	\$ 664,476
Interest income	-	-	2,740	4,435
Total additions	<u>-</u>	<u>-</u>	<u>664,359</u>	<u>668,911</u>
Deductions				
Scholarships awarded	-	1,000	636,326	674,476
Miscellaneous	-	-	13	13
Total Deductions	<u>-</u>	<u>1,000</u>	<u>636,339</u>	<u>674,489</u>
Non-Operating Revenues/Expenses				
Transfer in	-	1,750	654,897	692,947
Transfer out	-	(1,750)	(654,897)	(692,947)
Total non-operating revenues/expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	-	(1,000)	28,020	(5,578)
Net Position - Beginning	<u>(242)</u>	<u>4,007</u>	<u>1,169,274</u>	<u>1,538,010</u>
Net Position - Ending	<u>\$ (242)</u>	<u>\$ 3,007</u>	<u>\$ 1,197,294</u>	<u>\$ 1,532,432</u>

Note 1 - Purpose of Schedules

Schedule of Expenditures of Federal Awards (SEFA)

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Merced Union High School District (the District) under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Indirect Cost Rate

The District has not elected to use the ten percent de minimis cost rate.

Food Donation

Nonmonetary assistance is reported in this schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, the District had food commodities totaling \$46,068 in inventory.

SEFA Reconciliation

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances and in Business-Type Activities, and the related expenditures reported on the Schedule of Expenditures of Federal Awards. The reconciling amounts consist primarily of (LIST PROGRAM NAME) funds that in the previous period were recorded as revenues but were unspent. These unspent balances have been expended in the current period. In addition, (LIST PROGRAM NAME) funds have been recorded in the current period as revenues that have not been expended as of June 30, 2020. These unspent balances are reported as legally restricted ending balances within the General Fund.

	CFDA Number	Amount
Description		
Total Federal Revenues reported on the financial statements		\$ 13,687,432
Federal interest subsidy	N/A	(873,071)
Total Schedule of Expenditures of Federal Awards		\$ 12,814,361

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-1987 requirements as required by Education Code Section 46201.

Due to school closures caused by COVID-19, the District filed the COVID-19 School Closure Certification certifying that schools were closed for 49 days due to the pandemic. As a result, the District received credit for these 49 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

Non-Major Governmental Funds - Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances is included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Private Purpose Scholarship Trust Funds - Combining Statement of Net Position and Combining Statement of Changes in Net Position

These statements are included to provide additional information regarding the individual scholarship trust funds. Following is a description of the purpose and requirements for each of the scholarships.

Jim Acker Memorial Scholarship

This scholarship has been established in honor of Jim Acker who graduated from Merced High School in 1971, by the Jim Acker Memorial Scholarship Committee, to provide a scholarship for graduating seniors from Merced High School attending a two or four year college. Recipient of this scholarship will be selected by the Jim Acker Memorial Scholarship Committee based on citizenship, GPA of 3.0 or higher and participating in athletics.

John L. Alvernaz, Jr. Scholarship

The scholarship is established from the Estate of John L. Alvernaz, Jr. to be awarded to students from Merced Union High School District. No other criteria has been specified for determining eligibility for this scholarship.

Steven O. Beal Memorial Scholarship

This scholarship is established in the memory of Steven O. Beal, a former teacher of Industrial Arts in the Merced Union High School District, for eligible Industrial Arts Drafting students planning to attend a two or four-year accredited college or university. If no Industrial Arts Drafting students apply, the scholarship may be granted to any other deserving Industrial Arts student. The student must have a cumulative GPA of no less than 2.75 for the first seven semesters of high school. The awards are to be in increments of \$500 from any amount over the \$10,000 principle. This scholarship is non-renewable.

Eldon J. Callister Memorial Scholarship

This scholarship is established in honor of Eldon J. Callister to provide a scholarship each year to a student of Merced Union High School District who enrolls as a full time student at either Brigham Young University or Utah State University. An award is given annually if a graduating senior qualifies.

Ugo Cavaiani Scholarship

This scholarship has been set up per the request of Ugo Cavaiani to award scholarships to Livingston High School graduates aspiring to be nurses.

Chamberlain Scholarship

This scholarship was established by Naomi R. Chamberlain to provide annual scholarships to worthy graduates of Merced High School District. The following requirements are to be met by the District in managing the Chamberlain Scholarship:

- The principal shall remain intact in the Trust and the income only would be distributed to worthy students.
- Scholarships are to be awarded once per year in early May or in the spring semester.
- The number of scholarships is dependent upon the amount of interest or income generated from the fund.
- Approximately one-half of the scholarships are to be awarded to students whose goal is to attend a two-year junior or community college and the remaining awarded to students whose goal is to attend a four-year college.
- Scholarships are to be awarded to students with a 3.0 GPA or better during their attendance at Merced High School.
- Consideration should be given to provide for automatic renewal for any student in continuous enrollment, up to four years at any college or university of his or her choice, as long as the student maintains a 3.0 or higher GPA.

Herbert H. Cruikshank Scholarship

This scholarship was established in honor of Herbert H. Cruikshank. The amount of the scholarship awarded annually will be the amount generated by interest only. No amount of principal shall be part of the scholarship. If no student is awarded the scholarship in a given year, the amount will carry over to the following year, thus making the scholarship amount equivalent to two years. Guidelines for the recipient are as follows:

- Student must attend an accredited community college or a four year college.
- Student must have a record of participating in an extracurricular school activity, club or community service project.
- Student must have graduated from Golden Valley High School and have a 3.0 + GPA.

Hugh K. Landram Memorial Scholarship

This scholarship fund is established in honor of Hugh K. Landram to provide for scholarships to be awarded to deserving students for their future education in an accredited college or university in the State of California.

John P. Montano Memorial Scholarship

This Scholarship is established in honor of John P. Montano, a former Physical Education teacher and coach in the Merced Union High School District. It provides scholarships to eligible students who competed in a varsity sport for a minimum of one season and are planning to attend a two- or four-year college or an accredited vocational school. The student must have a cumulative GPA of no less than 2.5 for the first seven semesters of high school. The awards are to be in increments of \$600 from any amount over the \$3,255 principal. This scholarship is non-renewable.

Jay Leroy Mudd Scholarship

This scholarship is established from the Estate of Jay Leroy Mudd. The corpus shall not be impaired, but the interest shall be paid, by way of scholarships, to students from Merced Union High School for the purpose of obtaining a college education. A board consisting of the President of Merced City Chamber of Commerce, the President of Merced Rotary club, the Senior Warden of F. & A.M. Lodge #99 of Merced, and the Master of F. & A.M. Lodge #749 of Merced shall have the exclusive right to select the recipients.

Okuda Memorial Scholarship

This scholarship has been established by Franklin Okuda in memory of his son Calvin Okuda. The scholarship has a balance of over \$10,000. This is a perpetual scholarship with only the interest being awarded in the form of scholarships. The interest earned shall be split equally for two scholarships, to one male and one female graduate from Livingston High School that meet the following criteria.

- Scholarships are to be awarded to students with a 2.0 GPA or higher.
- Scholarships are to be awarded to students who are enrolled at a vocational school, community college, state college, or university.
- Scholarships are to be awarded to students who otherwise would not receive an award.

Donna Roberts Scholarship

This scholarship has been set up per the request of Eugene E. Roberts to provide a scholarship each year for a graduating senior of Yosemite High School intending to enroll in a community college the subsequent fall semester. Recipient of this scholarship shall be selected by Mr. Ron DeWong or his successor under criteria established by Mr. Eugene E. Roberts.

Rebecca Starr Roveto Scholarship

This scholarship is established to provide scholarships for graduating seniors from Atwater High School or any new high school serving Atwater students who plan to attend an accredited four year college or university in increments of \$1,000 beginning in 1998. The awards to be given will be selected by the scholarship committee designated by the Merced Union High School District to applicants who have a minimum of 3.3 GPA (4.0 scale).

Walter Weimer Family/Livingston Rotary International Scholarship

This scholarship has been established in honor of Walter Weimer, per the request of the Weimer Family, to provide a scholarship to a Livingston High School senior. Applicant to meet the following criteria: strong math and science or agricultural science, two or four year college (UC Merced preferred but no required), well-rounded student who participated in activities. Livingston High School site committee selects recipient. Award to be \$500 (non-renewable).

AARP Scholarship

This scholarship was established by the Atwater AARP Chapter #2194 in the amount of \$9,000 to be distributed at the rate of \$1,000 per year for four scholarships, \$250 each, until the \$9,000 with its earnings has been depleted. The scholarships are to be awarded to two academic majors and two vocational majors for studies accordingly in college. The Atwater High School Scholarship Committee selects several possible academic and vocational recipients from the pool of Atwater High School Scholarship applicants and refers the names to AARP Chapter #2194 for screening and selection.

Richard Barnes Memorial Scholarship

This scholarship was established by JoAnna Browning in the memory of Richard Barnes to provide scholarships for eligible student athletes of Atwater High School who graduate with a minimum 3.0 GPA. There will be one award recipient each year receiving \$500 if attending a two year college or \$1,000 if attending a four year college.

Bennett Family Scholarship

This scholarship has been established in honor of the Bennett Family, per the request of the Bennett Family, to provide a scholarship to a High School senior who intends to attend a historically black four year college. Applicant to meet the following criteria: AP class coursework, minimum GPA of 3.0. Bennett Family committee selects recipient. Award to be \$3,000 for a four year college annually.

Christine Bloss Memorial Scholarship

This scholarship is established in honor of Christine Bloss to provide scholarships for graduating seniors. It is awarded annually to students who attend a two-year or four-year college and are graduates of Merced High School, Atwater, Livingston, Yosemite, or the Adult School. The total amount awarded annually is determined by the Board of Trustees based on earnings from trust account and time certificates. Each campus receives a stipulated amount based on the number of graduates on a percentage basis. Each school determines the number of recipients and the amount of each award. Students must attend an accredited California college or university.

James Brewer Memorial Scholarship

This scholarship has been established in honor of James W. Brewer. A \$500 non-renewable scholarship will be awarded to an Atwater High School senior pursuing a career as a high school Science teacher. However, if no applicants meet the criteria, an applicant becoming a high school teacher will be considered. A minimum 3.5 GPA is preferred. The Brewer Family will select the recipient of the scholarship or designate the Atwater High School Committee to make the selection.

Pamela Brewer Scholarship

This scholarship has been established in honor of Pamela K. Brewer. A \$500 non-renewable scholarship will be awarded to an Atwater High School senior pursuing a career as a high school Social Studies or English teacher. However, if no applicants meet the criteria, an applicant becoming a high school teacher will be considered. A minimum 3.5 GPA is preferred. The Brewer Family will select the recipient of the scholarship or designate the Atwater High School Committee to make the selection.

Kiara Broussard Culinary Arts Scholarship

This scholarship has been established in honor of Kiara Broussard, per the request of Jennifer Broussard, to provide a scholarship for a graduating senior of Golden Valley High School or Buhach Colony/Merced High School if Golden Valley has no candidates. Applicant majoring in Culinary Arts (San Francisco Culinary Academy preferred). Recipient will be selected by family of Kiara Broussard. No required activities, minimum GPA 3.0, \$500 award (amount may change).

Brown Memorial Scholarship

This scholarship was established to provide scholarships to Merced and Golden Valley High School graduating seniors planning to attend a two or four-year accredited college or university in increments of \$1,000 per year for four years or completion of undergraduate degree. Scholarships will be awarded to students with a 3.3 cumulative GPA. College students must have a cumulative 2.5 GPA to remain eligible.

Church Scholarship

This scholarship has been established by Mr. and Mrs. Dan Church. The Scholarship Fund has accumulated approximately \$10,000. The interest accrued each year will be awarded to a graduating Golden Valley High School male or female student athlete who has participated in at least one varsity sport and plans to attend Merced College.

Sybil Nye Crookham Memorial Scholarship

This scholarship is established in honor of Sybil Nye Crookham. The scholarship will be awarded to seniors at either Atwater or Buhach Colony High Schools with a GPA of at least 3.0. The \$250 scholarship will be awarded to one senior at each high school.

Dallas Athletic Scholarship (Heart Award)

This scholarship has been established at Atwater and Buhach Colony High Schools in the amounts of \$12,500 each. The \$1,000 scholarship will be awarded to a female athlete at each high school with a minimum GPA of 2.5 who has participated in athletics for a minimum of two years who will be enrolled in a two or four year college or vocational school.

Al Dibblee & Independent Insurance Agents and Brokers of Merced and Mariposa Counties Scholarship

This scholarship has been established by Al Dibblee & Independent Insurance Agents and Brokers of Merced and Mariposa Counties. The \$500 scholarship will be awarded to two seniors on a rotating basis at Livingston and Buhach Colony High Schools in 2010, Atwater and Golden Valley High Schools in 2011, and Merced and Livingston High Schools in 2012. The two scholarships of \$500 will be awarded each year until the funds are depleted. When funds are reduced to less than \$500, the remaining balance will be the award. The applicants will need to meet the following criteria: Senior, Minimum GPA of 3.0, attend Merced College, business related major, and have a financial need. The Campus Site Scholarship Committees will select the recipient using the MUHSD Generic Scholarship application.

Edward Dimsey Memorial Scholarship

This Scholarship is established in honor of Edward Dimsey. It provides scholarships to eligible students of Merced Adult School who completed a minimum of 100 hours of community service in Merced County within the preceding two years and are planning to attend a two or four-year college or an accredited vocational school. A committee consisting of present and former Merced Adult School staff and members of the Veterans of Foreign Wars Chapter in Atwater shall have the exclusive right to select the recipients.

Fred B. Fancher Scholarship

This scholarship is established in honor of Fred B. Fancher. Scholarships are granted annually to qualified graduates of the Merced Union High School District who have demonstrated an interest in the broad field of agriculture and who wish to pursue a course of study, directly or indirectly, related to the field of agriculture. Students must attend either a two-year or a four-year accredited California university or college. The amount awarded each year depends upon the availability of funds. Applicants may reapply each year and receive a scholarship for up to a maximum of four years.

Carter Fite Memorial Scholarship

This scholarship has been established in honor of Carter Fite. The scholarship awards began in the spring of 2002 and will be awarded until the funds are depleted. Scholarships in the amount of \$500 each will be awarded to two Atwater High School seniors pursuing a two or four year college degree and majoring in math or teaching (elementary or high school), preferably math teacher. A GPA of 3.0 or higher is required. Students may use the generic Merced Union High School District scholarship application. There are no financial need requirements. Atwater High School Scholarship Committee selects the recipients and the funds are distributed using the Bloss Scholarship guidelines. Staff will present the awards at the awards ceremony.

Gear Up Scholarship

This scholarship has been established by the Gear Up Program. Awards of \$150, \$300, or \$500 will be given to students enrolled in the Gear Up Program at Atwater and Buhach High Schools. The awards will be based on how well the students did in the program.

Mario Granado Memorial Scholarship

This scholarship has been established in honor of Mario Granado, a former employee of Merced Union High School District, per the request of Cynthia Granado, to provide non-renewable scholarships to Livingston High School, Atwater High School, Buhach Colony High School, Merced High School and Golden Valley High School seniors with 2.0+ GPA. Applicants to meet any of the following criteria: pursuing a vocational program (priority), overcome obstacles or shown improvement, come from large family, participate in baseball or softball, complete 200+ hours of community service or plays a musical instrument. Awards to be \$1,000 at each campus.

Betty B. Jackson Scholarship

This scholarship has been established in honor of Betty B. Jackson, per the request of Lloyd Jackson, to provide a scholarship for the first year of college for a graduating senior of Merced High School enrolling in a junior college. Recipient of this scholarship shall be selected by the Merced High School Scholarship Committee under the criteria established by Mr. Lloyd Jackson as follows:

- Financial need as determined by the Scholarship Committee.
- Minimum GPA of 2.0 based on last five semesters of high school grades.
- Selection cannot be made until after the Bloss and Smith Scholarships are selected.

Joyner Scholarship

This scholarship was established by the California Association of School Business Officials to be given in the name of Lydia L. Lobdell, in the amount of \$500 each year for ten years. The recipient will be selected from one high school in the District on a rotating basis. The selection will be made by a committee of business teachers at the site. The scholarship may be awarded without qualification to any graduate in need of assistance to continue their education.

Livingston Kiwanis Club Scholarship

This scholarship has been established by the Kiwanis Club of Livingston-Delhi for the purposes of awarding a yearly academic scholarship to a Livingston High School Student, beginning in 1993. The criteria is to be established by the Livingston High School Scholarship Committee.

Karina Lau Memorial Scholarship

This scholarship is established in honor of Karina Lau. The scholarship is to be awarded to a senior at Livingston High School who was involved in the music or theater program and will enroll in a two or four year college with a music or theater related degree. The scholarship will be \$1,000 a year for up to four years as long as the student continues with a music or theater major.

Lester L. Lockwood Memorial Scholarship

This scholarship has been established in honor of Lester L. Lockwood with the approval of Janelle Lockwood. The Lester Lockwood Memorial Scholarship will be awarded each year to a graduating senior from Yosemite High School who plans to continue his/her education at Merced College, or the previous year's recipient who is currently enrolled at Merced College and has reapplied for the scholarship. The scholarship may be renewed one time only in the manner described above. A current college student who is reapplying will be given precedence. In the event there is no reapplication, a graduating senior from Yosemite High School will be chosen by the administration and staff at Yosemite High School.

Angelo Martinelli Memorial Scholarship

This scholarship is established in honor of Angelo Martinelli to provide scholarships to eligible Merced High School graduates. Scholarships in the amount of \$250 will be awarded to students who have received a cumulative GPA of at least 2.75 in high school, the student may attend an accredited two-year, four-year, or a vocational school, and the student will be approved by the Martinelli family. This scholarship is non-renewable.

Karen McCollum Memorial Scholarship

This scholarship was established in honor of Karen McCollum to provide a scholarship to an eligible student who attended the GED program at the Merced Adult School and is enrolling with a GPA of 2.0 or higher and at least six or more units of work at Merced Community College. The \$500 scholarship will be disbursed in two separate payments annually (August and December).

Lucy McPherson-Hanson Memorial Scholarship

This scholarship was established to provide annual scholarships preferably to an African American student, or other minority student, graduating from Merced High School with a minimum grade point average of 2.5. This scholarship is non-renewable.

Herbert Mitchell Memorial Scholarship

This scholarship has been established in honor of Herbert Mitchell by his widow, Mrs. Winnie Mitchell, to provide a \$200 scholarship to a deserving graduate of Merced High School. The recipient of this scholarship shall be selected by the Merced High School Scholarship Committee under the criteria established by Mrs. Winnie Mitchell as follows:

- Financial need as determined by the Scholarship Committee.

- Must be a business student.
- Must be enrolling in a local community college.
- No minimum GPA requirements.

Sanford Moberly Memorial Scholarship

This scholarship is established in memory of Sanford Moberly, an art teacher at Livingston High School. Each year an art student, selected by the Livingston High School Art Department, receives a \$200 award from this scholarship.

Henry Mayo Newhall Scholarship

This scholarship was established by a gift from the Henry Mayo Foundation. A scholarship in the amount of \$8,000 is awarded to the outstanding graduate of Merced High School who will attend a four-year college. Applicant selection criteria is the same as for the Bloss Scholarship.

Wyatt Pimentel Scholarship

This scholarship is established in memory of Wyatt Pimentel who passed away in January of 2020 at the age of 21. From the trust, scholarships will be awarded in the amount of \$1,500 annually to a qualified senior who will be pursuing education after high school in the agriculture industry and/or trade school.

Clarence Earl Prince Scholarship

This scholarship is established from the Estate of Clarence Earl Prince to provide for scholarships to be awarded to deserving students of Merced Union High School who intend to attend college during the next academic year immediately following high school graduation. The Superintendent of the Merced Union High School District, together with the Board of Directors of Merced Rotary Club shall choose applicants and set the standards by which the applicants will be chosen. The criteria can be changed from one year to the next.

Race to End Stigma Scholarship

This scholarship was established by the Carlos Vieira Foundation in the amount of \$5,000. From the trust, scholarships will be awarded in the amount of \$500 to qualified students who will be attending college or vocational school. The selections will be made by the Foundation annually and limited by the funds available and the number of qualified students.

Ryan M. Rohm Memorial Scholarship

This scholarship is established in honor of Ryan Rohm to provide scholarships to eligible Golden Valley High School graduates. Three scholarships, in the amount of \$1,000 (\$500 per year for two years), will be awarded to approved students, to be eligible a student must have received a cumulative GPA of at least 3.0 in high school. This scholarship is non-renewable.

Sodexo Scholarship

Sodexo School Services has established this scholarship which will total two \$500 scholarships a year for students wishing to continue their education beyond high school in a vocational area. The scholarship will be rotated between all District high schools beginning with Buhach Colony and Golden Valley. The scholarship will be awarded to one student at each of the two high schools with at least a 2.5 GPA.

Crystal Souza Memorial Scholarship

This scholarship is established in honor of Crystal Souza. The scholarship is to be awarded to seniors at Livingston High School and will total \$250 a year for two students. Each \$250 scholarship will be awarded to one agriculture major and one nursing major. The students must be attending Merced College.

Don Stowell Memorial Scholarship

The scholarship was established in honor of Don Stowell to provide a scholarship to students who attended Rivera Middle School their entire 7th and 8th grade year. Participated in clubs, sports, volunteer work at school or community and no suspensions. The students will be selected by a five-member staff committee at Rivera Middle School. The one-time \$500 scholarship will be disbursed directly to the college each Fall and Spring. Recipients must:

- Graduate from high school with a 2.5 or better GPA
- Participate in extracurricular activity in high school and
- Participate in community service in high school

Bob Thompson Rotary Scholarship

This scholarship has been established by Bob Thompson. The scholarship will be awarded to a Livingston High School Senior who is pursuing a vocational degree or certificate. The award amount will be \$500 per year and the recipient will be selected by the Livingston High School Site Committee.

George Yagi Memorial Scholarship

This scholarship has been established in honor of George Yagi, per the request of Floy Yagi, to provide a scholarship to a Livingston High School senior who intends to attend a two or four year college. Applicant to meet the following criteria: major in agriculture or related field, participation in FFA, minimum GPA of 3.0. Livingston High School site committee selects recipient. Award to be \$1,000 for a four year college or \$500 for a two year college.



Independent Auditor's Reports
June 30, 2020

Merced Union High School District



Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Governing Board
Merced Union High School District
Merced, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Merced Union High School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Merced Union High School District’s basic financial statements and have issued our report thereon dated March 31, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Merced Union High School District’s internal control over financial reporting (internal control) a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Merced Union High School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of Merced Union High School District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Merced Union High School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Merced Union High School District in a separate letter dated March 31, 2021.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Fresno, California
March 31, 2021



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Governing Board
Merced Union High School District
Merced, California

Report on Compliance for Each Major Federal Program

We have audited Merced Union High School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Merced Union High School District's major federal programs for the year ended June 30, 2020. Merced Union High School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Merced Union High School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Merced Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Merced Union High School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Merced Union High School District's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of Merced Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Merced Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Merced Union High School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, professional style.

Fresno, California
March 31, 2021



Independent Auditor's Report on State Compliance

To the Governing Board
Merced Union High School District
Merced, California

Report on State Compliance

We have audited Merced Union High School District's (the District) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the District's compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with laws and regulations applicable to the following items:

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No (see below)
Independent Study	No (see below)
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (see below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (see below)
Middle or Early College High Schools	No (see below)
K-3 Grade Span Adjustment	No (see below)
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	No (see below)
Comprehensive School Safety Plan	Yes
District of Choice	No (see below)
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	No (see below)
After School	No (see below)
Before School	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No (see below)
CHARTER SCHOOLS	
Attendance	No (see below)
Mode of Instruction	No (see below)
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No (see below)
Determination of Funding for Nonclassroom-Based Instruction	No (see below)
Annual Instruction Minutes Classroom-Based	No (see below)
Charter School Facility Grant Program	No (see below)

The District does not offer kindergarten instruction; therefore, we did not perform procedures related to Kindergarten Continuance.

We did not perform procedures for Independent Study because the independent study ADA was under the level that requires testing.

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required.

The District does not have any Juvenile Court Schools; therefore, we did not perform procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform procedures related to Middle or Early College High Schools.

The District has only grades 9 - 12; therefore, we did not perform procedures related to K-3 Grade Span Adjustment.

We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

We did not perform District of Choice procedures because the program is not offered by the District.

We did not perform procedures for the After/Before School Education and Safety Program because the District does not offer the program.

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

The District does not operate any Charter Schools; therefore, we did not perform procedures for Charter School Programs.

Basis for Qualified Opinion on School Accountability Report Card

As described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*, Merced Union High School District did not comply with requirements regarding School Accountability Report Card. Compliance with such requirements is necessary, in our opinion, for Merced Union High School District to comply with the requirements referred to above.

Qualified Opinion on School Accountability Report Card

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Merced Union High School District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2020.

Merced Union High School District's response to the noncompliance finding identified in our audit is described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*. Merced Union High School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Unmodified Opinion on Each of the Other Programs

In our opinion, Merced Union High School District complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020, except as described in the accompanying *Schedule of State Compliance Findings and Questioned Costs*.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Fresno, California
March 31, 2021

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Number
Special Education Cluster	84.027
Twenty-First Century Community Learning Centers	84.287
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

STATE COMPLIANCE

Type of auditor's report issued on compliance for programs:	Unmodified
Unmodified for all programs except for the following program which was qualified:	

Name of Program
School Accountability Report Card

None reported.

None reported.

The following finding represents an instance of noncompliance relating to compliance with state laws and regulations. The finding has been coded as follows:

	<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
	72000	School Accountability Report Card

2020-001 72000

School Accountability Report Card

Criteria

According to *Education Code* Section 33126(a), the School Accountability Report Card (SARC) shall provide data by which parents can make meaningful comparisons between public schools, enabling them to make informed decisions on which school to enroll their children. Included in the SARC is information regarding the conditions, safety, cleanliness, and adequacy of the school facilities. For all school sites at the District, a facilities inspection should be conducted and documented.

Condition

Of the two sites tested, one site had one discrepancy between the Facilities Inspection Tool Report (FIT) and the School Accountability Report Card (SARC). Specifically, at Merced High School, the FIT report indicated the "External" category with a "Fair" rating. However, the same category is rated as "Good" on the SARC.

Effect

There is no questioned cost associated with this exception.

Cause

The inconsistency between the SARC and FIT reports occurred due to an oversight during the preparation of the SARC.

Repeat Finding (Yes or No)

No

Recommendation

Prior to publication, the District should ensure a review is performed to verify the information in the SARC is consistent with the FIT.

Corrective Action Plan

All sites will be provided with the Facilities Inspection Tool Report (FIT) data for review two weeks prior to posting of the School Accountability Report Card (SARC) to ensure accuracy

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.